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PHILIPPINE TARIFF.

HEARINGS

BEFORE THE

COMMITTEE ON WAYS AND MEANS,

HOUSE OF REPRESENTATIVES,

FIFTY-NINTH CONGRESS, FIRST SESSION.

DECEMBER 13, 14, 15, 16, 18, 1905.

(TO WHICH IS APPENDED THE PUBLIC HEARINGS HELD IN THE
PHILIPPINES, AUGUST, 1905.)

DECEMBER, 1905.

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1906.

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PHILIPPINE TARIFF.

AMENDMENT TO THE ACT OF MARCH 8, 1902.

COMMITTEE ON WAYS AND MEANS,
HOUSE OF REPRESENTATIVES, WASHINGTON, D. C.,
Wednesday, December 13, 1905.

The committee met at 10 o'clock a. m., the chairman, Hon. Sereno E. Payne, in the chair.

Members present: Messrs. Dalzell, Grosvenor, McCleary, McCall, Babcock, Hill, Boutell, Watson, Curtis, Needham, Smith, Williams, Robertson, Clark, Cockran, Underwood, and the chairman.

The CHAIRMAN. The committee will be in order. We have several gentlemen with us this morning desiring to be heard. (For copy of the bill see p. 296.)

STATEMENT OF MR. DANIEL D. COLCOCK, OF LOUISIANA, REPRESENTING THE AMERICAN CANE GROWERS' ASSOCIATION.

(*Against the bill.*)

Mr. Chairman and gentlemen of the Ways and Means Committee, I wish to thank you for the privilege of appearing and saying what I wanted to say, even though I have not been to the Philippine Islands; and I will try to begin where we left off last February. The last thing in the printed hearings is a statement by your honorable chairman with regard to the working of the 20 per cent concession to Cuba. I now submit a statement covering the past twelve months, marked "Exhibit A," which shows that the Cuban sugar imported into the United States under the terms of the reciprocity treaty does not obtain the full amount of the concession. Messrs. Willett and Gray, the correspondents of the Louisiana Sugar and Rice Exchange, are responsible for the figures, and there is no more widely recognized authority in the world than they, or they would not be our correspondents. Of course I knew and stated this last January, but to make it clearer and to show that it still continues to be the practice I have based the calculation on the figures of the twelve months ending December 1, 1905, a part of the fourteen months in which sugar went up like a rocket and came down like a stick.

EXHIBIT A.—*Tabulation of monthly average quotations, December, 1904—November, 1905.*

Months.	88 per cent parity.	96°, New York.	Differences.
December	5.02	4.83	- 19
January	5.38	5.06	- 23
February	5.28	5.05	- 32
March	5.16	4.94	- 22
April	4.89	4.79	- 10
May	4.57	4.46	- 11
June	4.48	4.31	- 17
July	4.26	4.06	- 20
August	4.03	4.06	+ 3
September	3.79	3.80	+ 1
October	3.77	3.58	- 19
November	3.70	3.50	- 20
			+4 -193
Resultant for the 12 months			-189

Resultant, $0.189 \div 12 = 0.1575$ monthly average.

Duty on 96° 1.685 \div 5 = .3370 reciprocity concessions to Cuba.

.1795 difference goes to producer in Cuba.

To refiner in United States 15 $\frac{1}{2}$, to producer in Cuba 18 cents per 100 pounds.

The rapid decline since March last has found some 40,000 tons of Philippine sugar stranded in bonded warehouse in the city of New York and practically none in the islands. It therefore puzzles me to know why these hearings have been fixed on at so early a day, as nobody outside of the foreign owners of this 40,000 tons can be benefited by the quick action you have taken.

Personally I don't object to this, but Col. James D. Hill, who went to the Philippines with the Taft party, has found it impossible to get here in time, and without him I may not be able to present the case quite as well as I would with his assistance.

Now I come down to business. Never having known of any proposition in commercial affairs which did not admit of an alternative proposition, I sought to find the latter, in my feeble way, by procuring the Manila papers and reading what the Filipino had to say. In Adelanto I found mention of a "Shuster formula," and also that it was acceptable to business men in the islands. Through the kindness of Captain McIntyre, of the Bureau of Insular Affairs, I procured it; but only after my arrival here on the 4th instant. It is as follows (Exhibit B). I will read it.

EXHIBIT B.

[Manila American, Tuesday, February 14, 1905.]

SHUSTER WOULD SUBSIDIZE EXPORTS TO STATES BY REFUND DUTIES, THUS EVADING DINGLEY TARIFF.

Collector of Customs Shuster has offered a suggestion to the Commission which, if acted upon, will in all likelihood place the opponents of favorable tariff legislation for Philippine products into the United States hors de combat.

The collector has sent a communication to the Commission, in which he suggests that a law be enacted by the Philippine government granting to merchants of the archipelago who export island products into the United States a bounty equal to the amount of duties collected on Philippine products by the United States. This can be done without embarrassing the insular government, as under the present Philippines Congressional bill all amounts collected as customs in the United States on island products are refunded to the insular

treasury. As rapidly as the amounts collected in the United States are returned to the government here, they can by act of the Commission be paid to the exporters of the goods upon which the duty was paid in the form of a bounty. This would amount to free entry into the home land of all Philippine products and would accomplish the end now so greatly to be desired.

If you substitute "producer" for "exporter," I am of opinion, based upon my familiarity with sugar matters, that you will do a much better thing for the Filipino than conceding him 50 per cent in addition to the 25 per cent he now gets, and at the same time avoid injury, or even apprehension of injury, to our domestic producers.

The McKinley bill gave a bounty on domestic sugar and wonderfully improved our industry by compelling those who were to get the bounty to keep accounts of weights, etc., and to file statements of the character of the machinery and the nature of the process of manufacture, etc. In fact it compelled exactness and promoted economy.

As long as it lasted it was a good thing for us, and if applied as suggested by Colonel Shuster and modified by us, it will be far better for the Filipino than the concession you propose. The idea is to restore the full duty on Philippine sugar, cover it into the Treasury of the United States, and then pay it out to the Philippine government, as soon as that government has formulated the administrative features of a law giving bounty to the producer. The old documents in the possession of the Treasury Department will be such good guides that persons of ordinary intelligence can draw up regulations within a couple of weeks at the furthest.

I think this is truly an unselfish proposition to be received by us, and for that reason that it merits your consideration, I trust you will not reject it hastily, but weigh it well in comparison with the proposition emanating from our genial Secretary of War, whose sympathy with the Filipino has, perhaps, led him into seeming disregard for the people on the mainland. I had hoped to meet here Mr. Welborn, the chief of agriculture, whose statements about the yield of cane, etc., I wished to question, but I learn that he has gone to visit the "old folks at home" in Mississippi, and it has been quite a disappointment to me.

If not out of place here, I also wish to acknowledge gratefully the many kindnesses I have received at the hands of Col. Clarence R. Edwards, Chief of the Bureau of Insular Affairs, and of Capt. Frank A. McIntyre, his able assistant, and again to thank the chairman and members of this committee for their willingness to at least listen to the suggestions of the American Cane Growers' Association.
[Reading:]

In order to defeat this suggestion, should it become a law, Congress would have to repeal the present law, and as President Roosevelt is in favor of free entry into the United States of Philippine products, Congress would have to pass the bill over a veto of the President and by a two-thirds majority, which in all probability it would not be able to accomplish.

There appears to be no question about the Commission having the power to enact such legislation, if it deems it necessary, in the face of the strong opposition of the tobacco and sugar trusts to favorable tariff legislation, in order to gain a free market. It will be even better than the reduction asked for on sugar and tobacco.

The collector's suggestion is without doubt the most important one that has been made during the controversy that has developed during the fight now in progress for Philippine products. If enacted, it will be a blow to the tobacco and sugar trusts that they will not be likely to recover from, and will mean the assured prosperity of the islands.

PHILIPPINE TARIFF.

[The Manila American, Tuesday, February 14, 1905.]

OUTGENERAL THE SELFISH TRUSTS.

Collector Shuster's scheme to confuse our enemies, the sugar and tobacco trusts, is a good one. The beneficial effect it suggests for the islands is the best part of it. It may be interpreted as taking advantage of former liberal legislation, but it is not always unwise to fight the devil with fire. The trusts have been free with their money in Washington, strengthening their lobby, and their case before Congress is comprised of a mass of fabrications and misrepresentations, compiled purposely to deceive and to injure Philippine interests.

And since we can not whip them into line by main strength and awkwardness, it seems legitimate for us to outgeneral them by utilizing some of the wit that has been carefully bottled and preserved for just such serious emergency, under the golden dome, by the Rio Pasig.

[Manila American, Wednesday, February 15, 1905.]

THE HUMBLING OF THE TRUSTS.

The Philippines tobacco interests might now make a dicker with the Commission, advantageous to both parties. Let the tobacco men give their undivided support to the government in the enforcement of the internal-revenue bill and in return the Commission be asked to pay back the duties on cigars shipped into the United States, or a percentage of them.

This would prove some inducement to the government to use part of the refunded duties as a subsidy or bounty and the increased internal-revenue receipts would help make up the loss of the refund to the treasury. With this proposed subsidy the export in tobacco to the United States would be greatly increased and the manufacturers could, at least, afford to hand over that 25 per cent to the government and be able to meet competition in the home land. This would more than meet the loss of the amount of the present refund.

It is a chance for the tobacco interests to meet the government halfway and show their disposition to cooperate for the general good.

Just what the Commission will do with the Shuster suggestion can not be ascertained at this time. It can feed assured, however, of the general support of every insular interest should it follow out the suggestion.

Outside the general prosperity such action would engender, what a delightful spectacle it would afford us to see the mighty grasping trusts humbled and begging for mercy!

"By jin"—and "By gum," too—that would be refreshing!

[The Manila American, Thursday, February 16, 1905.]

SHUSTER'S PROPOSAL.

The proposal of Collector of Customs Shuster, to return the duties collected in the United States on tobacco in the leaf and manufactured to those exporting the same from the islands, is a very meritorious one. But while the idea, so far as these articles are concerned, deserves the utmost consideration and attention at the hands of the Commission, there are other industries in the islands that should also receive encouragement. We have several factories here that if a drawback on the raw materials imported and utilized was granted it would be possible to export their products to China, Singapore, and Australia, and thus encourage home industry.

There is the San Miguel Brewery, whose brand of beer could enter the China, Singapore, and Java market to advantage; the local paint factory in the course of a few years could also compete in the China market, for the prime mineral ingredients are to be found in the islands for making paint, and with a drawback on imported oils an advantage would accrue.

Another local industry is also in evidence—that is, the provincial hat factories, who pay large sums for duties in the form of imposts on leather hatbands and silk ribbons that go to make up the manufactured article. The

American suggests that the Commission take up the question of drawbacks to be given to local industries to afford encouragement for the establishment of factories, and any customs-revenue loss that might be entailed by this procedure will be amply covered by the internal-revenue taxation.

SHUSTER'S PLAN OF REFUND IS TAKEN UP—COMMITTEE OF TOBACCO MANUFACTURERS WILL PETITION COMMISSION FOR LEGISLATION—SUGAR INTERESTS WILL PARTICIPATE IN GENERAL ACTION AND CHAMBER OF COMMERCE EXPECTED TO LEND ASSISTANCE IN RENEWED CAMPAIGN.

The committee, comprised of the leading tobacco manufacturers, with Manager Barreto as president, has taken up the suggestion of Collector Shuster and will present a petition to the Commission asking for legislation diverting the refund duties collected on exports to the United States to be used as a bounty fund to the manufacturers, and thus circumvent the prohibitory Dingley tariff.

All the principal tobacco manufacturers are represented and the sugar people will participate in the campaign. The committee has advised all the different sugar and tobacco interests throughout the islands and has asked for their co-operation in urging action by the Commission in the way of legislation.

Just what progress has been made has not yet been given out, but it is known that nothing will be left undone to present their side of the controversy.

It is expected that the different chambers of commerce will get together and assist the tobacco and sugar interests as soon as their programme has been formulated. It is generally agreed among the business men that the success of the tobacco and sugar interests insures an era of great prosperity to the islands, and general support will not be lacking.

[The Manila American, Saturday, February 18, 1905.]

FACTORY WORKERS THANK SHUSTER—PROCESSION OF 2,000 TOBACCO EMPLOYEES INVADE CUSTOM-HOUSE, TO WHOM THE COLLECTOR EXPLAINS ATTITUDE OF GOVERNMENT.

A procession of about 2,000 cigar makers and other factory hands of the various tobacco factories of the city called on Collector Shuster at the custom-house yesterday morning and, through a committee, expressed to him their thanks for his proposal for the refunding of duties on Philippine cigars imported into the United States.

Mr. Shuster replied that he feared that the plan as proposed was beyond the jurisdiction of the Commission, although the President and Secretary of War were in favor of opening the markets of the United States to Philippine products.

The delegation then withdrew, and the procession disappeared.

[The Manila American, Saturday, February 18, 1905.]

CONGRESS MIGHT BE OFFENDED BY THE CIVIL COMMISSION ADOPTING THE SHUSTER REFUND SUGGESTION—LARGE DELEGATION OF TOBACCO MANUFACTURERS PETITIONS FOR ENACTMENT OF BOUNTY LAW, AND IS ASSURED THAT DUE CONSIDERATION WILL BE GIVEN—MANY ARGUMENTS USED IN FAVOR OF TARIFF REDUCTION.

The plan for refunding to Philippine exporters of tobacco the duties collected on the importation of their goods into the United States, proposed by W. Morgan Shuster, collector of customs, was the subject of discussion yesterday between a committee of representatives of the Insular, Germina, La Oceania, Alhambra, and Yebana factories and Governor-General Wright.

The tobacco men made long and convincing arguments in favor of the adoption of the plan by the Commission, and laid special stress upon the necessity of the opening of some outlet, preferably the markets of the United States, for their products.

They went into the condition of the tobacco industry in the islands, pointing out the fact that whereas many millions of cigars were exported monthly from the Philippines to Spain prior to the transfer of the islands to the United States, at present but few, if any, go to that country. Philippine tobacco, being heavier than that produced in Sumatra, Mexico, and other countries, can not compete with it where duty is charged by the pound. They intimated that the tobacco industry, one of the greatest in the islands, is doomed unless the markets of the United States are made accessible, and pointed to the many thousands of people supported by the industry who will be deprived of a means of earning a livelihood.

The governor-general said that both he himself and Secretary Taft were heartily in favor of opening the home markets to Philippine tobacco, but pointed out that any such action as that urged by the committee must infallibly lead to a howl against the Philippines by many of those in Congress who are at present inclined to be friendly to the Philippines. It would be exceedingly apt to cause legislation hostile to Philippine interests and would put the insular government in the position of opposing Congress.

He promised, however, that the matter would be given due consideration by the Commission.

[The Manila Times, Tuesday, February 14, 1905.]

SHUSTER'S SCHEME FOR FREE ENTRY —COMMISSIONERS INTERVIEWED NOT FAVORABLE TO IT, AS THEY THINK IT MIGHT OFFEND CONGRESS.

Collector of Customs W. Moran Shuster has placed before the Commission a plan, which he, in company with the heads of leading export houses of Manila, is confident, if adopted, will insure free entry for Philippine products into the markets of the United States. The plan is the result of much careful study on Mr. Shuster's part after several consultations with representatives of the local tobacco and sugar interests.

The collector's plan, briefly, is as follows: He suggests that a law be enacted by the Commission granting to exporters of Philippine products to the United States a refund of the duties paid to the customs authorities of the United States. This can be done without any further legislation by Congress, as under the present Philippine Congressional bill all amounts collected as customs duties by the United States on Philippine products are refundable to the insular government. Under Mr. Shuster's plan such refunds made to the insular treasury would at once, by act of the Commission, and on submittal of the proper documents, be returned to the exporter. This would amount to practically free trade with the United States. In order to defeat such a measure the present Philippine bill would have to be materially amended or entirely repealed.

It is well known that President Roosevelt is strongly in favor of free admission of Philippine products to the home market, and in order to amend or repeal the present laws under which the Commission holds authority a two-thirds vote would be necessary to overcome the President's veto. With the present complexion of Congress, it is morally certain that this two-thirds majority could not be obtained. The plan advocated by the collector of customs is being generally discussed to-day among the merchants and business men of Manila, and meets with general approval. It is considered that it can at least be used as a lever by which favorable tariff legislation can be forced from Congress.

"The plan was only formed," said Collector Shuster, "after long consideration and several talks with many of the local business men. I believe the plan to be entirely feasible, else, of course, I would not have advanced it. The legality of the refunds suggested is unquestionable. The present tariff on Philippine products entering the United States has been characterized by President Roosevelt and many others as 'rank injustice.'" There can be no doubt concerning the morality of such an action, and so, if it is both moral and legal, there can be no legitimate objection against something of the kind being done. The trusts have repeatedly defeated legislation intended to benefit the Philippines. It is about time that they be shown that we are not dependent on their good will for our existence. What is needed here to insure the prosperity of the country is the free admission of Philippine goods into the United States.

[The Manila American, Wednesday, February 15.]

TRUSTS MAY BE BROUGHT TO TIME—COLLECTOR SHUSTER'S SUGGESTION SEEKS FORMIDABLE AGAINST LOBBY, WHICH MAY ATTEMPT TO COMPROMISE ON SECRETARY TAFT'S PLAN FOR 75 PER CENT REDUCTION OF DINGLEY TARIFF ON SUGAR AND TOBACCO IMPORTED INTO STATES.

The exclusive announcements in the American yesterday of Collector Shuster's plan, suggesting that the civil commission enact a law providing for the refundment to Philippine exporters of the amount taxed as import duty of their goods into the United States, such refund to be made in the form of a bounty, was the subject of much favorable comment yesterday, and the general opinion seemed to be that Collector Shuster had solved a problem which threatened the sugar and tobacco interests of these islands.

An army officer who is thoroughly conversant with affairs in Washington said: "The lobby is up against it, and I should not be surprised if, when the magnitude of the scheme is thoroughly realized, the interests most affected should attempt to compromise the matter and interpose no objections to Secretary Taft's plan to reduce the tariff on sugar and tobacco to 25 per cent of the Dingley tariff. If they are wise they will promptly adopt that course and without delay, for a continued opposition to the Philippine interests may result disastrously to them by the commission deciding to adopt the collector's suggestions. At all events, it is a most formidable weapon to hold over the trusts, and one which may be the means of bringing them to time."

A member of a well-known shipping firm in speaking of the matter doubted if the public announcement might not prove a warning to the opposing interests in the United States and give them an opportunity to bring all their power to thwart the plan if the Commission decides to adopt it. After considering the matter, however, he admitted that the collector's scheme leaves but little chance for them.

The simplicity of the plan and the fact that nobody had yet thought of it was generally appreciated, and almost without exception opinion seems to be in favor of adopting the suggestion. The subject was freely discussed among the officials of the different courts and two prominent attorneys declared that it was not only feasible, but its adoption is very desirable as a fatal blow to the sugar and tobacco lobby in the States.

It is understood that the large exporters of these islands intend to take up the matter at once with Washington. A well-defined action will first be taken in Manila, which will be sent to Secretary Taft urging that the matter be properly presented to the President for his favorable consideration, especially with regard to the recommendation for a 25 per cent reduction of the Dingley tariff.

Mr. GROSVENOR. Will you not point out what you mean particularly by the insinuation, apparently—I can not understand very well what you said, but some intimation—about hurrying this legislation in the interest of some proposition that you had? I would like to know exactly what that is.

Mr. COLCOCK. I never insinuate anything, General. I am a very plain-spoken man. I do not know exactly what you are driving at.

Mr. GROSVENOR. What is the meaning of your statement about 20,000 tons of sugar in New York, and coupling with that the statement that you can not understand why we are hurrying this legislation?

Mr. COLCOCK. Because it does not effect anything. The sugars in the Philippines are not produced until December, and when shipped out will not reach the United States until March.

Mr. GROSVENOR. What is the meaning of your insinuation?

Mr. COLCOCK. We all of us believed that these hearings would take place after the holidays, and at that time we would be able to get the Louisiana planters up here, but at present they are taking their crops off, and it is the hardest thing in the world to get a man off his plantation when he is harvesting his sugar crop.

Mr. GROSVENOR. We did not seem to have any trouble in the last session. We took more testimony on this sugar question right here in this room than has been taken, to my knowledge, on all these questions since the passage of the Dingley law.

Mr. COLCOCK. Do you remember the date of the hearings?

The CHAIRMAN. Everybody was heard that wanted to be heard, and everybody had full opportunity to be heard.

Mr. COLCOCK. At the date of the last hearing the sugar crop was off. That was in January.

The CHAIRMAN. I am speaking about this talk of not being heard. Everybody that had anything to say was heard, from all parts of the United States, and the committee has signified its willingness to hear anybody on this subject. We do not care to spend much time in thrashing over old straw that is already in print and is accessible to all the members. I do not understand this talk of not being heard. Everybody understood that this bill would be introduced at the beginning of this session and that hearings would be held briefly, but that it would be introduced at the beginning of the session.

Mr. CLARK. The trouble with the Colonel is that he does not understand that this is to be a rush session of Congress to get away as soon as we can.

Mr. GROSVENOR. Does the gentleman from Missouri understand that?

The CHAIRMAN. So far as this committee is concerned, we propose to take up the business before it and get along as fast as we can.

Mr. COLCOCK. I said that I had no personal objection to it whatever. I am in harness all the time and ready to go on at any time.

STATEMENT OF MR. F. R. HATHAWAY, OF SAGINAW, MICH.

(See also page 268.)

(Against the bill.)

Mr. Chairman and members of the committee, I hope you will not be alarmed at this pile of documents which I have here. It is not my intention to read them all, but possibly some of them may come in handy during the discussion of the questions at issue. I had the good fortune to spend some time in the Philippines last summer. I left home in the middle of April and returned the latter part of September. In going to the Philippines I went with a double purpose, first, to find out whether the conditions were such there that some gentlemen and myself would desire to invest in the Philippine Islands. We realized, or at least thought we did, the precarious condition of our industry in this country, and we did not know but that it would be necessary for us to transfer our interests to the Philippines if this proposed law should become effective.

Second, I went to the Philippines for the purpose of getting, for myself and my associates, as near the facts as possible bearing upon the sugar situation in the Philippines, and also the relation of those facts to the proposed legislation. My trip to the Philippines was slightly different from that which some gentlemen at this table

enjoyed, in that it was not confined to the cities in the sugar districts. I took the trouble to secure, along with the gentleman who was with me, guides, guards, and interpreters, and to travel inland throughout the leading sugar districts of the Philippines. This trip took me into the province of Pampanga, the main province tributary to Manila. It took me for about a 150-mile trip through the interior of the island of Panay, upon which the second largest city and the chief sugar market of the islands—Iloilo—is situated. It also took me throughout the entire cane-producing region of the island of Negros, with the exception of the San Carlos and Illog districts. I think, therefore, that I covered the leading sugar districts of the Philippine Islands.

During that trip I kept an itemized diary of every day's work, the men whom I met, and what the men said to me concerning the condition of the sugar industry in those islands. I carried a pencil diary in my pocket, and at night I transferred my notes into a permanent form. I did this because I did not wish to return here to my business associates with simply a general impression of the conditions in the islands, but I wished to be able to state definitely the facts as they came out in the course of my investigation, and to state also who gave me those facts, and when the facts were given me. I am informed by the chairman of this committee that the argument for this bill is to be found in this pamphlet, which consists of the hearings before the Taft party in the Philippines, and that later in the discussion of this question the friends of the measure, if they see fit, shall be given an opportunity for rebuttal testimony, and he thinks that we in turn may be given an opportunity for a short surrebuttal, if it shall be deemed necessary.

The CHAIRMAN. It is hardly true that the arguments in favor of this proposition are to be found in that pamphlet, if when you say that you mean to imply that the only evidence is to be found there. I told you that the new evidence before the committee is to be found there.

Mr. HATHAWAY. No argument? Just simply evidence?

The CHAIRMAN. The new evidence in favor of that proposition is to be found in that pamphlet.

Mr. HATHAWAY. The new evidence is to be found here?

The CHAIRMAN. Yes.

Mr. HATHAWAY. It would be proper, then, for me, so long as we are coming on before and not after the witnesses for the other side, that I should take up in your presence these statements, which purport to be evidence, and analyze some of them and tell you what they are as they came out in the course of my investigation. I think such procedure would be proper, and I trust that I may conduct it in a way that will throw some light on some of the questions involved. The first witness called was Señor Heras, who bases his argument on two propositions; first, which is found on page 8 of the hearings, concerning labor:

The labor used in the manufacture of sugar is very high priced at present.

As bearing upon the question of whether it is high priced or not, I read from the last Philippine government report—namely, the report of the bureau of agriculture for the year ended August 31,

1904, page 29—which report is signed by the chief of the bureau, Mr. Welborn, this extract:

There is one important item of economy that the negro planter has down to a fine point. The average laborer does not receive quite 16 cents gold a day in money and food combined. I have seen fifty to a hundred sitting on their tools waiting for daylight to begin a day's work.

I submit to the gentlemen here, who are Americans and who know something about the price of labor in America, that 16 cents a day in money and food combined is not a high price for labor. I will later on take up the efficiency of that labor.

The next statement upon which the gentleman bases his argument is:

The food cost is very high.

This statement you will find on page 16. He says, at the top of page 16—and you will please remember that the wages I have quoted, amounting to not quite 16 cents a day, are money and food combined—this same witness states that the cost of food is from 20 to 25 centavos per day—that is, from 10 to 12½ cents in our money. I wish to read in connection with that the testimony as given me by a gentleman whom I wish you had called before you in Iloilo, the only American planter in the island of Negros, Attorney Rothrock, who has 1,500 acres of sugar lands. Mr. Rothrock, in speaking to me of this food cost, under date of July 11, on the boat that morning going from Iloilo to Negros, said he was at that time paying 10 centavos and rice per day. Ten centavos would be 5 cents in our money. He raises his own rice. I read from my diary:

If purchased at present prices, this rice allowance per day would cost him 4 or 5 cents a day in American money. He issues daily 2 pounds to each workman, or in place thereof 4 pounds of palai—that is, rice with the husk on. The price of palai is half that of rice.

The present price of rice, or at least the price of rice when I was in the Philippines, was from 6½ to 6¾ pesos a picul. We have been told in previous hearings that the picul is 137½ pounds; in American or English pounds it is 140, and it is universally used in the islands, 16 piculs making a long ton of 2,240 pounds. Two pounds of rice would cost about 4½ cents a day as the value of the food allowance. The price of palai is less than that. Now, Señor Heras has told us that his argument is based on those two propositions, the high price of labor in the Philippines and the increased food cost, which he estimates at 20 to 25 centavos a day. The pay of the laborer, according to the Government reports, and I will give other Government reports before I finish, is not quite 16 cents a day in money and food combined, and the food cost, instead of being 20 or 25 centavos a day, is about 5 cents in our money, which is the maximum that anybody pays.

On page 18 of the same hearings this same gentleman states that the Philippine planter is being obliged at the present time to suffer a great loss because of the imposition of the excise tax on liquors, and says that prior to the imposition of that tax they obtained from 1 peso to 1.6 pesos, or 1 peso and 60 centavos, for a 4-gallon can of molasses, and at the present time they get only from 20 to 30 centavos for this much molasses, and that because of that reduction they have suffered a total loss of from 25 to 30 per cent in the returns from their

crops. That statement is found on page 18. Now, dropping the price of this molasses from 1 peso to 20 centavos is making a reduction of 80 centavos, which represents, according to his statement, 25 per cent of the total proceeds from his crop. If 80 centavos is 25 per cent of the total proceeds from his crop, the total proceeds from his crop must be ₱3.20. But in the same statement the gentleman says that he is getting from $3\frac{1}{2}$ to 5 pesos for his sugar. If there is any gentleman here who has sufficient knowledge of mathematics to reconcile those two statements, both found on the same page, I would like to know how he does it.

The CHAIRMAN. I believe there is some further explanation in that gentleman's statement.

Mr. HATHAWAY. Yes, sir. That explanation is brought out very nicely by Representative Curtis. Mr. Curtis says:

He does not intend that statement for his entire sugar crop. It was meant to apply only to molasses?

Señor HERAS. I wish to explain what I meant by saying that prior to the enactment of the internal-revenue law the price of sugar per "pilon" was from $3\frac{1}{2}$ to 5 pesos, and that in addition to that they got an income from the molasses, their by-product, of ₱1.00 to ₱1.60 for each 4 gallons, as previously explained; but that now, by the operation of the internal-revenue law, the price obtained for the by-product is greatly less—in fact, amounts to no more than 20 or 30 centavos—and so I make the statement that the loss on the total product has been practically 25 to 30 per cent.

That was the explanation. Señor Heras says the 25 to 30 per cent loss applies to the total crop.

I will next take up the statement or evidence of Commissioner Luzuriaga. I wish now to refer to two of the leading items in that gentleman's statement. He was brought forward to establish that only one crop is raised from a planting. On page 14 of these hearings he is very emphatic that they in most cases get but one crop from a planting; sometimes two—never more.

Mr. ROBERTSON. On new ground they would get one or two.

Mr. HATHAWAY. Yes, sir; but on old ground they couldn't. On old ground, he says, they got but one crop from a planting. I read now from the Philippine census of 1903, volume 4, page 27, a statement in an official document over the signature of the same gentleman, Commissioner Luzuriaga. He says:

In alluvial soils, such as are found in the island of Negros, planting takes place but once every five, six, seven, or even up to ten years, though the same crops are gathered annually, providing care is taken after the cane is harvested not to injure the stalk, which is allowed to remain in the ground, and in the proper cultivation of the sprouts or shoots newly put forth by it. The plantation must then be worked, and the soil must be sufficiently broken up and kept clean of weeds during the first ensuing six months or until the same is thickly sown.

The soils referred to by Commissioner Luzuriaga are all the soils in Negros except that strip on the west coast which has been cultivated for many years without any fertilization or rotation of crops and never has been tilled more than about 3 inches deep; that strip, which produces less than one-quarter of all the sugar grown in Negros, has but one crop from a planting. The official statement of Commissioner Luzuriaga as to the number of crops from a planting applies to all the rest of the cane soil in Negros, and I have ridden over it. I do not know which of these statements you wish to take here as the statement upon which to base your legislation.

Mr. DALZELL. I have not been to the Philippines, and I would like to ask you this question: What is the ratoon crop?

Mr. HATHAWAY. That is the crop that grows from the stubble. They plant the cane first, and at the end of about thirteen or fourteen months they raise a crop of cane and cut that cane off. Then if they will cultivate the stubble between the rows it will grow again, and the second and all subsequent crops are ratoon crops.

Again I take up the second important point touched on by Commissioner Luzuriaga, namely, the labor cost. He says at the bottom of page 15 in the Taft party hearings:

Field hands are paid from 40 to 50 centavos per day—that is, 20 to 25 cents American money—but the laborers in the mills get nearly double that; besides, they are all provided with their food by the planters.

That is what Commissioner Luzuriaga told you. I have already read what Mr. Welborn says in his last official statement prior to the visit of the Taft party with regard to the wage rates, and now, with your permission, I will turn to an official document of another character, namely, the last Philippine census of 1903, volume 4, page 487, where the total number of laborers on sugar estates is given as 45,247, and the total monthly wage as 388,817 pesos, or 8.6 pesos per month for employees on the sugar estates. This is equivalent to 17 cents gold per day, allowing 26 working days to the month. These rates include a food allowance where it is given. Seventeen cents is therefore the daily wage.

The CHAIRMAN. That is on the supposition that they work every day?

Mr. HATHAWAY. I beg your pardon; not that.

The CHAIRMAN. I asked you the question.

Mr. HATHAWAY. No, sir; that is not the supposition. This is the payment for labor that has been performed. That is what they get. The official statement is a little less than 17 cents a day. That is the official wage rate as given in the Philippine census. Now, I confess, gentlemen, that I can not quite reconcile statements of Commissioner Luzuriaga before you relative to ratoon crops and wage rates with the statement that he makes concerning ratoons over his own signature in the Philippine census and the statement the Philippine census makes concerning wage rates in the islands.

I will take up at this point the question of the efficiency of that labor. Commissioner Luzuriaga says that one man cultivates $2\frac{1}{2}$ acres of cane. Mr. Welborn in his address says that one man cultivates 2.56 acres of cane. Those two statements are practically the same. A man has to have one or two carabao to help him in this work.

Now, let us clinch this matter here. These are the only two statements we have in the Taft party hearings as to the efficiency of labor. Mr. Welborn ridicules the idea of their competing with us, and says, "Are these the pygmies that the beet-sugar people in the United States are afraid of, when they have in the United States one man to every 40 or 80 acres?" In Michigan and in Colorado we employ a great many men by the acre. We bring many of them from Wisconsin and Nebraska. Suppose that I am a beet raiser in Michigan, raising beets for one of our factories, and I have 20 acres of beets, and I make application for these hand laborers. The universal custom is to

assign one laborer to 5 acres. The ratio then is one laborer to 5 acres in this country, when it comes to the question of beet culture, and not one to 40 or 80 acres, as Mr. Welborn assumes. We have one laborer to 5 acres, while in the Philippines one laborer takes care of 2.5 acres. The difference is this, that the Filipino laborer gets 15, 16, or 17 cents a day, money and food combined, and we pay our man a dollar and a half a day in Michigan, and \$2 a day in Colorado for doing the same work.

The CHAIRMAN. How much sugar does a laborer produce in this country?

Mr. HATHAWAY. I am very much obliged to you for that question. I was going to take that up later.

The CHAIRMAN. Very well, go ahead, and we can take it up later and make the comparison; we will have what you say, and can put the things together.

Mr. HATHAWAY. The yield in Michigan this year is 8 tons of beets per acre, and from each ton of beets 240 pounds of sugar is obtained. Eight times 240 pounds is 1,960 pounds, which is the number of pounds of granulated sugar we get from 1 acre in Michigan. Mr. Welborn says that the average for the entire Philippine Islands is 1 long ton per acre. I will take up the question of whether that is accurate a little later on.

The CHAIRMAN. That is Philippine sugar?

Mr. HATHAWAY. Yes, sir.

The CHAIRMAN. And not granulated sugar?

Mr. HATHAWAY. No, sir. I will show whether that is correct or not a little later.

Mr. McCLEARY. When you speak of the Michigan sugar, do you mean refined sugar?

Mr. HATHAWAY. Yes, sir.

Mr. CLARK, of Missouri. How much does this long ton of the Philippine sugar make of refined sugar?

Mr. HATHAWAY. About 2,000 pounds of refined sugar. The next witness that was brought forward was Señor De La Rama.

The CHAIRMAN. For fear I might forget it, let me ask you right there—you were in Manila during all the time that the Taft party was there, were you not?

Mr. HATHAWAY. Not all the time; a part of it.

The CHAIRMAN. Most of the time?

Mr. HATHAWAY. Yes, sir.

The CHAIRMAN. During the time those hearings were going on you were there, and you had some communication with the members of the party, did you not?

Mr. HATHAWAY. I saw two members of the party.

The CHAIRMAN. Did you make any suggestion to anyone at that time to have these gentlemen that you have referred to, regretting that they were not called to make statements, called by the Taft party? Did you suggest that they be called?

Mr. HATHAWAY. I have only suggested one such witness.

The CHAIRMAN. Well, this gentleman that you have suggested, did you make any suggestion at that time that he should be called before the Taft party?

Mr. HATHAWAY. Yes, sir.

The CHAIRMAN. To whom?

Mr. HATHAWAY. I made the suggestion that they interview that gentleman to two members of the party, one Senator and one Representative.

The CHAIRMAN. It is strange that that was not heard of.

Mr. HATHAWAY. I do not know as to that. One reason why I could not hear the evidence that was presented there was because I was in the hospital at Manila, and was not allowed by my physician to leave the hospital, except for short drives, during the time you were in the city.

Mr. Wm. ALDEN SMITH. Was that during the time they were there?

Mr. HATHAWAY. That was during the first time the party was there. They stayed in Manila about a week, and then went to the southern islands, and I was not in Manila when they returned. I was there during the Taft party's first week's stay in Manila, and was in the hospital all the time.

Mr. Wm. ALDEN SMITH. Did you go to the Philippines because this party was there, or did you go of your own initiative?

Mr. HATHAWAY. Where do you mean?

Mr. Wm. ALDEN SMITH. To the Philippines.

Mr. HATHAWAY. I went there on my own initiative before the Taft party left the United States. I left home on the 22d day of April and had nearly completed my work in the Philippines when the Taft party arrived.

The CHAIRMAN. You may proceed. I ought not to have interrupted you, but I wanted to ask you that question before I forgot it.

Mr. HATHAWAY. Thank you. On page 30 of the hearings Señor De La Rama says that 2.82 centavos a pound is the cost of producing sugar at the present time. That would be \$1.41 per hundred pounds. And he says that the cost laid down in Iloilo is 3.76 centavos per pound, which would be \$1.88 per hundred pounds. I wish to ask the question—I am something of a Yankee—if that is true, why is it that any gentleman who desires to loan money in the Philippines can loan practically all he desires to at the present time, taking a first mortgage security on the land and the growing crop, the money to be advanced for eight months, the loan never to exceed 25 per cent of the valuation of the land, and the principal to be paid at the expiration of eight months from the date of loan in sugar at 1 cent a pound, delivered at tide water? That is a common form of loaning to-day in the Philippine Islands, and if there is any gentleman in this room who desires to loan, say, half a million dollars in the Philippines, I can direct him to several reputable gentlemen in the Philippine Islands who, for a small consideration in the line of a commission, will loan a half a million dollars to the sugar planters of those islands on that security. Planters are perfectly willing to negotiate loans on that basis, taking as their profit whatever they can make on sugar when they sell it at a cent a pound at tide water.

Mr. COCKRAN. Is that in the Philippine Islands?

Mr. HATHAWAY. Yes, sir.

Mr. COCKRAN. There is no difficulty, then, in raising money?

Mr. HATHAWAY. Not if the lender is satisfied with the security offered.

Mr. COCKRAN. I do not wish to interrupt you.

Mr. HATHAWAY. The committee, however, has decided that questions should be asked after I finish my statement.

The CHAIRMAN. I think you had better proceed, Mr. Hathaway.

Mr. HATHAWAY. Señor De La Rama says, on page 31 of the hearings, that the great difficulty they have at the present time, aside from the tariff, is the excessive cost of the shipment of sugar from the Philippines to New York. I made some investigations along those lines. I went to the great exporting houses and they got down their books and showed me what freight rates are.

The freight rates in the Philippines for the past year or two have ranged from 21 to 27 cents per hundred pounds, and most of the shipments that have been made during the past year have been made at 21 cents per hundred pounds from Iloilo to New York. Now, the insurance rate concerning which so much is said was given me by these same shippers as three-fourths of 1 per cent. I say that most of the sugar that has been shipped to New York the past year from the Philippines has been shipped at a total cost, for freight and insurance combined, of 24 cents per hundred pounds. So far as the cost of shipment to New York is concerned from the Philippines, I want to say that it is practically the same as the cost of shipping our products from Michigan to Minneapolis, St. Paul, or Duluth, or any interior Wisconsin point. We pay 22 cents, and that does not include insurance. The cost of shipping sugar from New York to Chicago is 24 cents per hundred pounds. It does not seem to me that these gentlemen have much to complain of on the cost of the shipment or the insurance rates either. I admit that the open price for insurance is $1\frac{1}{2}$ per cent; but I also claim that the big shippers in those islands told me that the inside rate, which it is not difficult to obtain, is three-fourths of 1 per cent.

The next point that Señor De La Rama makes is, he says, that they want this tariff removed so that they can have competition, and he makes this point on page 35, because they have no buyers at the present time except the Chinese. I wish to ask if that argument will be considered seriously by any gentleman at this table. When you were over there did you not learn that the great sugar buyers of the islands were Smith, Bell & Co., a great English house; W. A. Stevenson & Co., another English house; two sugar houses that have been located in those islands for over one hundred years? They buy more sugar than all the others put together. I admit that in the province of Pampanga these two firms send Chinese buyers out to the plantations and buy sugar; but that practice does not obtain in the Iloilo district, which at the present time ships 95 per cent of all the sugar that is exported from the archipelago. In that market the planter brings his sugar to Iloilo and sells it there. There are three great shipping houses, these two English concerns and one other house, the name of which I do not remember how to spell. Possibly some of you can help me on that.

Colonel EDWARDS. You mean Ynchausti?

Mr. HATHAWAY. Yes. Those people are Chinese mestizos. Then there is the firm of Castle Brothers, Wolff & Co. Mr. De La Rama gets down pretty close to the labor cost where he tells you that the labor cost in these islands is from 12 to 15 cents American money per day. He says it was formerly from 3 to 4 pesos a month, and now it is a

trifle above that, a trifle more than double that. Taking it as actually double that, it is from 12 to 15 cents in American money per day. Now, while Mr. De La Rama was giving his evidence, Mr. Lowenstein interrupted. He is one of the buyers for Castle Brothers, Wolff & Co. He said that by virtue of the arrangement with the United States at the present time the Spanish war cut off the great Spanish market for Philippine sugars. This is on page 37 of the hearings. I want to say that there has not been any sugar shipped to Spain since 1899. But I want to say furthermore that up to the day when they stopped shipping sugar to Spain the maximum amount which had ever been shipped to Spain was shipped in the year 1899, viz., 10,000 tons; and I want to say that prior to that year the annual shipments to Spain ranged from 2,000 tons to 4,000 tons. And this is the wonderful Spanish market which has been lost to the Filipino by virtue of the war. I have the exact figures here, if any one wishes to know them.

Again, the next gentleman who appeared before this committee, Señor Lióngson, said (p. 23) that the Chinamen are their only buyers. Well, let us see. The Philippines produced in 1903 90,000 tons of sugar for export, and China and Japan took 55,700 tons. In 1904 the Philippines produced for export 81,600 tons, and China took 56,400 tons. I do not know what became of the rest of the sugar. It did not go to China and Japan; that is all that went to China and Japan. So it seems to me there must be some other buyers. This gentleman brings out another anomalous argument, on page 25. He says that the labor conditions of the Philippines have been disturbed disadvantageously because of the excise tax that has been put upon molasses, and he says because of that the laborer can not buy as much whisky as he could before, and consequently his efficiency as a laborer has greatly deteriorated. I mention that argument and just leave it for your consideration. The statement is found on page 25 of the hearings. I will read you the exact language:

We may conclude that the internal-revenue law has also redounded to the detriment of the agriculturists, because the work done in one day by a laborer having the drink referred to and without it is as 6 is to 5, a decrease worthy of being taken into consideration.

I next refer to the statement and testimony of Pedro Regalado, on page 157 of the hearings. I think that name is spelled incorrectly in these hearings. He spelled it for me R-e-g-i-a-l-a-d-o. You will remember, those of you who were there, that you were trying to get some member of the Yulo family to give evidence, and this gentleman rose in the audience and said: "I am a member of the Yulo family," and immediately began to give evidence. Now, on page 157, he says:

I do not know what it costs other folks to make sugar, but it costs me to make sugar and put in my warehouse 4.80 pesos per picul.

Mr. ROBERTSON. How much is that in American money?

Mr. HATHAWAY. \$2.40 for 140 pounds. Now, notice the peculiar way in which he makes that statement on page 157. He says: "In my own case the cost of production of sugar laid down in my warehouse" is so-and-so. I want to say to the gentlemen at this table that that man never raised a pound of sugar in his life. That man is a discharged employee from the office of the provincial treasurer

of Panay. He was let go in the month of June of this year. Just before the time he was let go he purchased a sugar estate—or in the spring of this year. On that estate he has never raised a crop of sugar; he has never milled a pound of sugar.

Mr. GROSVENOR. How did you get those facts?

Mr. HATHAWAY. I got them from himself.

Mr. GROSVENOR. You got them from himself?

Mr. HATHAWAY. Yes, sir. I will read you the testimony in a moment. I not only got them from himself, but also from the provincial treasurer of Panay, Capt. C. M. McLean. Now, I want to read the conditions under which this man was induced to buy that tract of land. This gentleman is a cousin of Gregorio Yulo.

Mr. GROSVENOR. From what are you reading now?

Mr. HATHAWAY. From the diary which, as I have already stated, I kept of my trip in the Philippines.

Mr. GROSVENOR. Was this testimony taken under oath?

Mr. HATHAWAY. Was it taken under oath?

Mr. GROSVENOR. Yes.

Mr. HATHAWAY. No, sir. I have not supposed that the testimony given before the Taft party and reported in this volume was taken under oath. The hearings do not so specify. On July 2 the gentleman referred to took dinner with Major Gove and myself in Iloilo. I wish to read from my diary concerning that occasion:

In the evening Pedro Regialado took dinner with Major Gove and myself. This gentleman is a cousin of Gregorio Yulo and a brother-in-law of Domingo Lacson, the two principal sugar planters in Negros. Messrs. Yulo and Lacson live in Iloilo. From them Mr. Regialado has learned privately the following sugar data, upon the strength of which he has purchased a Negros estate and has given up his government position.

When sugar sells at \$1.50 gold per picul, delivered at Iloilo, the planter can make money. A common plan followed by the planters is to furnish land, animals, and tools, and pay workmen from \$7.50 to \$10 gold per acre to prepare the land, plant the cane, and tend the crop ready for harvesting. Harvesting, hauling to mill, and milling costs 62.5 cents per picul. The average crop ranges from 30 piculs to 40 piculs per acre. This makes the cost of sugar to be 87.5 cents gold per picul on the plantation, which equals 63 cents gold per 100 pounds. Transportation charges from Negros to Iloilo godowns are 7 cents gold per 100 pounds, making the cost of sugar in Iloilo godown to be 70 cents gold per 100 pounds.

The customary rate of wages on sugar estates is from 50 cents gold to 75 cents gold per week, with two rice-fish meals per day.

I think I need not say much more concerning Pedro Regialado.

I next take up the testimony of Señor Lacson. He was the former president of the Negros republic. On page 160 of the hearings he says that he fertilizes his land. I do not know how he does it. He says he does it with the manure of animals. There is not a barn, a cattle shed, or a corral on his land. I had pointed out to me by Attorney Rothrock the only fertilized field of cane in the island of Negros. It was not on this man's farm. He says also, on page 161 of the hearings, that the cost of sugar on his estate is 4.82 pesos per picul, and the cost delivered in Iloilo godowns he gives, on page 162, as 5.30 pesos per picul. He also gives the cost of labor, on page 163, as being 40 centavos per day. In a conversation with me held in the presence of Capt. W. A. Smith, chief of constabulary, Mr. Nolan, and Mr. Rothrock, a planter and an attorney, Mr. A. Lacson gave me

this statement, which I copied, making my notes in his presence and reducing them to longhand that same evening.

He says he has 375 acres of cane on his upper estate, and that the crop is good. If the season continues favorable, it will yield about 2.5 tons per acre. On some of it he raises two crops, and some one crop from a planting. Usually the second crop is about 80 per cent of the first, but yields a better grade of sugar.

Now, I will ask you please to note this next statement, if you will:

He says that he has an estate near Isabela, Negros, from which he takes 10 crops from one planting. There is no loss in quantity, and there is a steady gain in quality on this estate. Mr. Lacson says that if a man knows how to manage, the cost of preparing land, planting, and tending the crop is about 25 cents gold per picul, and harvesting, hauling to mill, and milling the crop comes to about 50 cents per picul. The cost of transporting his crop from the upper estate to Iloilo is 10 cents gold per picul. This would make the cost of his sugar delivered in Iloilo to be 85 cents gold per picul.

Now, he gave the cost to you as \$2.65 gold per picul, or \$1.89 gold per 100 pounds. He told you he was paying 40 centavos a day. To me he said that—

the maximum rate of wages was 10 cents per day and rice, and that his customary rate is from 6 to 7 cents gold and rice. Under Spanish rule, he frequently landed sugar in Iloilo at a total cost of 75 cents Mexican per picul. He believes that there is not a country in the world that can compete with Negros in the cheapness of sugar production.

Now, I do not know which you will take, the testimony that he gave you or what he gave me. I visited his estate and went over it extensively and visited at his home.

The CHAIRMAN. You know the Taft party did not give out that they were going to buy sugar lands?

Mr. HATHAWAY. I understand; but they gave out, on the other hand, that they wanted information that bore on the tariff question.

The CHAIRMAN. Certainly they did.

Mr. GROSVENOR. Therefore, we invited you to produce your evidence.

Mr. HATHAWAY. And I am doing it, sir.

Mr. GROSVENOR. We wanted to cross-examine such witnesses as you are.

Mr. HATHAWAY. Very well, I am here.

Mr. GROSVENOR. You did not come before us.

The CHAIRMAN. He was sick in the hospital.

Mr. GROSVENOR. And you did not send anybody, and none of those men whose names you have suggested here to-day appeared before us.

Mr. HATHAWAY. I only suggested the name of one man.

Mr. GROSVENOR. And he made a widely different story to us.

Mr. HATHAWAY. His evidence is not in these hearings at all.

Mr. GROSVENOR. Yes.

Mr. HATHAWAY. No. Mr. Rothrock's name does not appear in the printed hearings before the Taft party. His is the only name I have suggested.

I will take up next the evidence of Señor Yulo, on page 167 of the hearings. He says "that in order not to say that he raises no ratoon crops he will say that he raises very few." He told me, in the presence of Captain Smith, Schoolmaster Fallon, and another American who was in his house on his Negros estate, that he raised four ratoon crops. I can give you the date of the statement, if you wish it.

I will say next that he stated to you that he raised 600 hectares of cane. He stated to me that he produced 43,000 piculs of sugar, and I guess there is no dispute on that anywhere. Anyone in the islands would tell you that. But the committee did not ask him concerning the total of the sugar he produced. The figures give an average of from 71 to 72 piculs per hectare, or 29 piculs, or 4,060 pounds per acre. That is the sugar that he obtained. Now observe that he makes a statement to the provincial treasurer of Panay, and that treasurer gives it to me, in the presence of other parties, that Mr. Yulo's profit on that crop of sugar was 200,000 pesos. I imagine that he would not, in making his report to the tax gatherer, put his profit any higher than it naturally would be. He testified to you that his selling price was 6.25 pesos per picul. If you will divide 200,000 by 43,000—the number of piculs—it will give his profit on one picul, which is 4.65 pesos. If you will subtract 4.65 pesos from 6.25 pesos, which was the selling price as given to you, it leaves the cost price to be 1.60 pesos per picul, delivered in Iloilo, which combines the statement he made to you with that which he gave to me. His statement to you of the cost is quite different. I am comparing here the statement he gave to me, that which he gave to the provincial treasurer, and the statement that he gave to you.

A man who possibly knows as much as anyone concerning the cost price of Señor Yulo's sugar, Isidro Penz, whose statement I have in my diary, told me that he knew positively from inside information that the first cost of Yulo's sugar on his estate is 1.5 pesos per picul.

I will now take up the testimony of Mr. Welborn, on page 49 of the hearings.

Mr. ROBERTSON. Who is Mr. Welborn?

Mr. HATHAWAY. This is Mr. W. C. Welborn, chief of the bureau of agriculture. Mr. Welborn says that—

the average yield of cane per acre in the year 1902 was 2,200 pounds for the entire islands, which he says is "the lowest for either cane or beet sugar made on the face of the earth." The average yield in Occidental Negros was 2,800 pounds per acre. The average yield for Pampanga, the next largest sugar-producing province, was about 1,100 pounds. For 1903 and 1904 I am sure, from personal observation, Negros has fallen off in yield and Pampanga has gained.

The figures he gives you are taken from the Philippine census, volume 4, page 220, but he failed to turn over three pages, and read you something that I would like to read you now concerning that yield. The statement is at the top of page 223, and is as follows:

Information of a general character was, however, obtained, upon which it is possible to base the statement that the yield of crops was, on the whole, not more than half the normal amount.

That is for the year 1902. Mr. Welborn's entire argument is based upon the yield per acre as given in that year.

The CHAIRMAN. What is the total production of that year?

Mr. HATHAWAY. It is given as about 180,000 tons. That is including that used for home consumption.

The CHAIRMAN. That is the largest yield reported in several years, is it not?

Mr. HILL. It is the largest either before or since.

The CHAIRMAN. It is the largest yield ever produced, is it not?

Mr. HATHAWAY. No, sir. In 1899 there was practically the same amount produced.

The CHAIRMAN. In 1899?

Mr. HATHAWAY. Yes, sir; practically the same amount was produced in that year, and practically the same amount was produced in 1903. That is, for export.

The CHAIRMAN. Yes.

Mr. HATHAWAY. And 1904 there was just a small falling off.

The CHAIRMAN. Then this is one year among these largest years of production?

Mr. HATHAWAY. You could not say that.

Mr. ROBERTSON. What was it in 1893?

Mr. HATHAWAY. In 1893 the yield in piculs was, for export alone—I do not know about the home consumption, these being export figures and the export figures being different from those of the total consumption—4,186,000 piculs. That was the total for export in 1893.

The CHAIRMAN. The export figures are sufficient for a comparison.

Mr. HATHAWAY. That is what I am making the comparison, but—

The CHAIRMAN. Have you not read enough there to show that that statement made there is not true?

Mr. HATHAWAY. The statistics that I have here prove the statement on the top of page 223 to be absolutely correct. May I read them?

The CHAIRMAN. Certainly, certainly.

Mr. HATHAWAY. I am speaking of the sugar for export, and you will see whether it was an average production or not. I have the figures here from 1891 down to 1904, in piculs, both years inclusive, and I will read them, giving the year and the number of piculs in even thousands. 1891, 2,672,000; 1892, 3,995,000; 1893, 4,186,000; 1894, 3,110,000; 1895, 3,697,000; 1896, 3,671,000; 1897, 3,232,000; 1898, 2,895,000; 1899, 1,488,000; 1900, 996,000; 1901, 886,000; 1902, 1,473,000; 1903, 1,432,000; 1904, 1,306,000.

In other words, the yield in 1902, 1,473,000 piculs, is one-half what it was in 1898, and is between one-half and one-third of what it was in 1897, and between one-half and one-third of what it was in 1896, the same in 1895, and going back to 1894 it is about one-third of what it was then.

Mr. WILLIAMS. All of those high figures were before the Filipinos met the blight of our procession?

Mr. HATHAWAY. Yes, sir; every one of them.

The CHAIRMAN. Where did you get those figures in piculs?

Mr. HATHAWAY. Those are the best authentic reports that we can secure. Those figures are taken from the report of the Manila Chamber of Commerce, which has been recognized by the census.

Mr. CHAIRMAN. They are the reports of the chamber of commerce, are they?

Mr. HATHAWAY. Yes, sir; and I think they have been recognized and taken as authoritative statements by the Manila government. They compare with the statement that Colonel Edwards makes. I have not the Government reports here, but I can get it and show you how the figures compare.

I hardly understand why Mr. Welborn should make the statement he did on page 74 about their having only one ratoon crop. I hardly

understand why that statement should be made. He says they very seldom have one ratoon crop, and never more than one ratoon crop. It does not agree with my understanding of the situation at all, and possibly, as he will follow me later on, he may have occasion to change that statement. I do not know. I will pass over that for the present, as I will also pass over his statement on pages 53 and 54 concerning the cost price of producing sugar in the Philippines. He may wish to add to his statement—I do not know whether he does or not—so I shall pass over that now.

Mr. ROBERTSON. Do you intend to make any statement in regard to the ratoon further on?

Mr. HATHAWAY. Yes, sir; I will. I am simply analyzing the evidence that these people presented. Mr. Welborn's main argument (p. 60), "to which he has devoted a good deal of attention, is directed to proving that the American sugar interests could prosper under a less protection than is now enjoyed," and when he says, on page 67, that he is a Mississippi Democrat, and not in favor of a protective tariff, we can easily see the reason for his statement.

The CHAIRMAN. I inferred from that that he was in favor of a protective tariff.

Mr. WILLIAMS. I object to Mississippi Democrats being publicly discredited.

The CHAIRMAN. I assumed from what he said that Mississippi Democrats were in favor of it.

Mr. HATHAWAY. I want to call attention to some statements made by Mr. Welborn concerning the beet-sugar industry. Mr. Welborn says—and he hits the beet-sugar industry pretty hard, and I hardly thought that it was necessary for him to go out of his way so to do—that the American beet factories pay the farmers 37.3 per cent and take for themselves 62.7 per cent of the value of the crop. I think I must read a little something he says bearing indirectly on that; I do not wish to misquote him. I read from page 58:

It is said the great packing houses butcher cattle for the offal as profit. It seems that these beet factories, when they go to butcher the sugar beet, take all the offal and nearly two-thirds of the carcass. Do these constitute the infant industry, so much needing protection? I must say it is a lusty infant, and has the finest appetite and the loudest voice I ever heard of.

Let us look at the agricultural side of the beet-sugar business. If the beet farmers can find any way to force the factories to give them a fair share of the gross product they will be well off.

I hardly think parliamentary courtesy would call for such a statement, but as long as it has been made I wish to reply to it. Instead of the beet factories paying the farmers 37.3 per cent and keeping for themselves 62.7 per cent the factories are this year paying \$2.40 a hundred for the sugar in the beet before they begin the process of manufacture. When the farmers deliver the beet in the sheds at the factories they get \$2.40 a hundred for every pound of sugar that is taken out of those beets.

Mr. WILLIAM ALDEN SMITH. You mean the Michigan farmers?

Mr. HATHAWAY. Yes, sir; and the condition is the same in Colorado and Wisconsin.

Mr. GROSVENOR. And the farmers do not find it profitable?

Mr. HATHAWAY. They do; yes, sir.

Mr. GROSVENOR. Are there not some of the beet factories up there who have found it impossible to get the farmers interested in raising beets?

Mr. HATHAWAY. Yes, sir.

Mr. GROSVENOR. Why is that?

Mr. HATHAWAY. There are several reasons for it. I will speak of one factory which has just been moved from that State. The land was altogether too new when the factory was planted there. The yield of beets was insufficient. The yield of beets in Michigan at the present time is sufficient, so that the seven factories with which I am connected have paid the farmers \$1,650,000 for their beets this season.

Mr. GROSVENOR. How is it in the county where Mr. Loud is?

Mr. HATHAWAY. The factory that is located in the county in which Mr. Loud is a resident has been removed because the farms were too new. There are not enough farmers there to raise the beets to supply that factory, and there is too much stump land. That factory was put there as an attempt to develop that section of the country, and for three years the experiment was continued at considerable loss to the investors, and then it was moved into Minnesota.

Mr. WILLIAMS. Because the land was too new, or because the population was too sparse?

Mr. HATHAWAY. For both reasons.

Mr. WILLIAMS. Does the newness of the land affect the quality of the beets?

Mr. HATHAWAY. No, sir.

Mr. WILLIAMS. That is what I was trying to get.

Mr. CLARK. You object to that man's statements of the percentages taken by the farmers and the factories? Will you state, in your own way, what the farmer gets? What does the farmer get?

Mr. HATHAWAY. I was interrupted by the gentleman at the other end of the table when I was about to state that.

Mr. WILLIAMS. What do you mean by the factories paying the farmers by the hundred for the sugar in the beets? By whom is the quantity of sugar in the beets determined?

Mr. HATHAWAY. From every wagonload or carload that comes in a sample is taken, and that sample is examined to determine the tare.

Mr. WILLIAMS. Who takes that sample?

Mr. HATHAWAY. The man who takes that sample is appointed by joint agreement of the sugar manufacturing company and the farmers raising the beets. That sample is taken to the tare room, and it is weighed and cleaned. The tare master, who does that work, is selected by the joint committee of the company and the farmers growing the beets. The farmer is paid for the clean net weight of his beets.

There are two forms of contract in use in Michigan. Under one of these contracts the farmer receives \$5 flat for his beets, irrespective of the sugar content, when he delivers them to the nearest railway station or to the beet factory, if he is near enough for wagon haul. By the other contract he receives \$4.50 for a beet testing 12 per cent sugar, with an additional 33½ cents for every 1 per cent of sugar. The average price paid by the factories this year in Michigan is \$5.75 to men who have that kind of a contract. The farmer who has that kind of a contract must deliver his beets to the factory. If he delivers them on the railroad he pays the freight, which is usually 40

or 50 cents a ton. The man who hauls his beets to the factory gets that price for the beets delivered in the factory. Now, from those beets which costs the factory \$5.75 per short ton before beginning to work up the beets at all, the factory gets 240 pounds of sugar. If you will divide \$5.75 by 240 you will find that the cost to the factory for the sugar in the beet before the factory begins the process of manufacture is \$2.40 per hundred.

(Addressing Mr. Clark.) Now, I will take up your question, Mr. Clark. Granulated sugar sold at the present time, or at any time since we began putting this year's crop on the market, about November 1, netted the Michigan factories from \$4.09 to \$4.17 per 100 pounds. It has netted the same price to the Colorado factories. That is the net price of the sugar at the factory, after deducting the freight and the commission of 3 cents a sack or 10 cents a barrel. The actual net price ranges from \$4.09 to \$4.17. Taking \$4.12 as the average received this year, we pay the farmer 58 per cent of that for the sugar in the beets before we begin the process of manufacture, and the factory has 42 per cent of the total value to pay for manufacturing and profit on the investment. Does that answer your question?

Mr. CLARK. Yes, sir; it does. I just wanted you to finish your statement on that.

Mr. UNDERWOOD. What do you claim is the average cost of manufacturing sugar in the Michigan factories?

Mr. HATHAWAY. For the present year they have not quite completed all the reports, but basing an estimate on everything we have done this year and on the cost of last year, it is between \$3.85 and \$3.90 a hundred, total cost of the sugar made, exclusive of depreciation and interest on the investment.

Mr. UNDERWOOD. Does that include interest on capital invested?

Mr. HATHAWAY. It does not; nor does it include depreciation of the plant.

Now, I will go ahead, if I may. I have examined the statements of the chief of the bureau of agriculture concerning the beet-sugar industry, and have shown you that we are not taking all the offal and nearly two-thirds of the carcass, as he states, but that we are dealing honestly and squarely with the farmer.

On page 71 of the hearings Mr. Welborn states that the cost of labor is from 50 to 60 centavos per day, and that 75 centavos would get the best laborers and hold them. I do not know how to answer that other than by reading his statement, which I have already read once. It is very short, and I want to read it in this connection. This is from his last official statement, and is from page 29 of Mr. Welborn's report for the year ending August 31, 1904:

There is one important item of economy that the Negros planter has down to a fine point—

And by the way, Negros produces, according to Mr. Welborn, eight-tenths of all the sugar that is exported from the islands—the average laborer does not receive quite 16 cents gold a day in money and food combined. I have seen 50 to 100 sitting around on their tools waiting for daylight to begin a day's work.

Which is right I will leave to you to determine. Now, the question came up also—I think it was the Senator from Nevada who asked

the question—concerning the size of the government farm La Granga, of 2,500 acres. The Senator asked whether 2,500 more acres could be secured, and I wish to read from the testimony on page 63.

Senator NEWLANDS. Are there any lands under government ownership capable of being used for sugar plantations as are the existing plantations?

Mr. WELBORN. I should say yes. However the government has no land on the island of Negros, but the government has public land which I think would do fairly well.

Governor-General WRIGHT. Where are these lands?

Mr. WELBORN. The only land I know of personally is in the island of Mindoro, but you would have to get the people to go there, because that is all a wild country.

Seretary TAFT. Have you been over the land?

Mr. WELBORN. Well, in part; yes, sir. You would have to clear it, as people here understand clearing. It is all grown over with the toughest kind of grasses and other shrubbery. It is a wild country, and the problem of labor would be a rather difficult one; it would all have to be taken there.

Now, I wish to say a word concerning that Mindoro tract. I had arranged to go down to see that tract of land, but was taken sick and was unable to go. Commissioner Worcester said to me concerning that tract of land, in an interview that I had with him on June 16, 1905:

In southwestern Mindoro the Philippine government owns a tract of 90 square miles of friar land which cost us \$300,000, or about \$5 per acre. This land I believe to be the most valuable sugar land in the archipelago. Its fertility is possibly not quite so great as the volcanic soil in parts of Negros, but its other advantages overbalance this one defect. It slopes toward the sea, is underlaid by gravel, and has a most fertile silt surface, ideal for sugar culture. It is free from stone. Five streams drain it. Timber sufficient and in abundance for structural purposes grows along the streams. The rest of the land is ready for the plow. You could to-day turn a straight, uninterrupted furrow 4 miles long on this land. Engineers are now surveying the tracts to determine how much of it is subject to irrigation. I believe most of it. A good harbor is situated within 3 miles of one side of the land. During the dry season ships can secure a good anchorage along most of the 6-mile water front. I am holding this property to sell in large sugar estates, and as it is friar land I can thus sell it to an individual or copartnership.

Mr. WM. ALDEN SMITH. Is that from an official report?

Mr. HATHAWAY. No; sir; that is from my diary.

Mr. WILLIAMS. With whom was that interview had?

Mr. HATHAWAY. With myself.

Then, after seeing Commissioner Worcester, I saw Mr. Welborn, and I will read again from my diary:

He (Mr. Welborn) has been on the Mindoro estate and confirms all that Mr. Worcester says, except as to the amount of the tract adapted to sugar. Thinks but from a half to two-thirds of it is good sugar land.

Mr. WILLIAMS. There is 90 square miles there?

Mr. HATHAWAY. In that one tract; yes, sir.

I do not care at the present time to refer to but one other point in connection with Mr. Welborn's Manila address before the Taft party. He says, on page 59, that Cuba gets all the benefit of the tariff reductions. I think Mr. Colcock has shown this morning that Cuba did not get all the benefit of the reduction of the tariff which you granted on sugar coming from that island. Aside from Mr. Welborn, there were two Americans heard before the committee, Captain Smith, chief of the constabulary of the island of Negros, and Mr. Heil, superintendent of the government farm "La Granja," on the island of Negros. I wish to read what Mr. Heil had to say for the

benefit of those members of the committee who were not present at that hearing. I read from page 177 of the Philippine hearings:

Secretary TAFT. Do you have any ratoon crops?

Mr. HEIL. Yes, sir; I have had ratoon crops for about two years, now.

Secretary TAFT. Will you cut it for the third year?

Mr. HEIL. Yes, sir.

Secretary TAFT. How does the product of the ratoon crop compare with the original?

Mr. HEIL. It is much better for the third year.

Secretary TAFT. How much is the cost of cultivation?

Mr. HEIL. The first year is much more than the second and third years. The third year it will only cost perhaps 22 pesos a hectare.

Secretary TAFT. Now, I want to ask you as to its product. Does the ratoon crop produce more per hectare than the original crop?

Mr. HEIL. Yes, sir.

Secretary TAFT. How much more?

Mr. HEIL. Perhaps 50 piculs more.

Senator PATTERSON. How about the third?

Mr. HEIL. The third will be as good. The first is the poorest crop, generally.

Secretary TAFT. Now, do you know about the production among farmers here, generally?

Mr. HEIL. Yes. The way they raise sugar it costs about twice as much as at the experimental station.

Secretary TAFT. Do you know as to the practice in ratoon crops?

Mr. HEIL. Yes, sir.

Secretary TAFT. How many ratoon crops do they cultivate?

Mr. HEIL. In our neighborhood, four to seven crops.

Secretary TAFT. What farmers do you know who cultivate such crops?

Mr. HEIL. Cardenas, Rodriguez, and others.

Secretary TAFT. Are there any of these planters here to-day?

Mr. HEIL. Yes, sir.

(Then Señor Rodriguez came forward.)

Secretary TAFT. Do you cultivate seven ratoon crops?

Señor RODRIGUEZ. There have been exceptional cases on certain lands where seven crops are raised, but as a general rule, and I may say almost universally, we raise only three crops, because after the third crop we find that there is a grubworm comes into the cane and we have to make a new planting.

Secretary TAFT. Now, how is it with you, Mr. Heil, do you find that grub-worm?

Mr. HEIL. Yes, sir.

Secretary TAFT. Do they limit the number of crops you can plant?

Mr. HEIL. I am experimenting on killing that grub-worm by distributing lime about.

Secretary TAFT. Well, you say you raise ratoon crops. Do you raise ratoon crops on all this you cultivate?

Mr. HEIL. Yes, sir.

Secretary TAFT. Does Señor Rodriguez have three years on every one that he cultivates?

Mr. HEIL. Yes, sir; I think so.

Secretary TAFT. Do you, Señor Rodriguez?

Señor RODRIGUEZ. A great deal of my land does not give ratoon crops at all, but some of it does give ratoon crops for three years—

Mr. HILL. I would like to interrupt you there and ask you if you have read the supplementary testimony of this gentleman, Mr. Heil. I would like to ask you that before you continue to quote him there. I think you would wish to read that before quoting the testimony that is given in that volume of the hearing.

Mr. HATHAWAY. I have not read any supplementary testimony of his.

Mr. HILL. I think it is very material, and I think it is to your own interest to read this supplemental testimony before you continue. (See Appendix to these hearings, p. 184.)

Mr. HATHAWAY. You do not wish me to continue this, then?

Mr. HILL. I think it would be wiser if you read this before you continue, and that it would be to your own interest.

(Thereupon, at 12 o'clock m., the committee took a recess until 3 o'clock p. m.)

AFTERNOON SESSION.

The committee met, pursuant to adjournment, Hon. John Dalzell in the chair.

Members present: All the members except Messrs. Williams and Granger.

STATEMENT OF MR. F. R. HATHAWAY—Continued.

The ACTING CHAIRMAN (Mr. DALZELL). The committee will be in order. You may proceed.

Mr. HATHAWAY. Mr. Chairman and members of the committee, this morning I stated that while the Philippine census report, volume 4, page 220, gave the figures quoted by Mr. Welborn as the yield per acre, that Mr. Welborn neglected to state that which is found on page 223 of the same volume, showing that the crop of 1902, to which he referred, was about half a crop, as far as the yield was concerned. Some exception was taken to my statement. The quotation which I made was from the official document. During the noon recess I have averaged up and found the total exports from the Philippines from 1891 to 1902, both years inclusive. The average for those years is 2,685,000 piculs. The export for the year 1902 is 1,473,000 piculs. It appears from these figures that the statement found on page 223 is absolutely correct, and that the 1902 crop was but a half yield.

I wish next to clear up any misapprehension that may be in the minds of the members of this committee concerning my location in the Philippines at the time when the Taft party was in those islands. I had completed my investigations and returned to Manila at 7 p. m. on the 31st day of July and went into the civil hospital at Manila the following morning, the morning of the 1st day of August. The Taft party reached Manila on Saturday, the 5th of August, and sailed for the southern islands on Sunday, the 13th of August. I remained in the hospital until the 18th of August, when I left for home, via Hongkong.

Mr. WILLIAM ALDEN SMITH. I suppose you are making this statement for the purpose of showing why you did not interest yourself in their investigation?

Mr. HATHAWAY. Yes, sir; that is just why I am making it. I would not have any misunderstanding with reference to that at all.

I was interrupted by the courtesy of one of the gentlemen here at the close of the morning session while I was reading the evidence of Mr. Heil, the superintendent of the government farm at La Granja. Since that time I have had placed in my hand this amended testimony of Mr. Heil, and I thank the gentleman for interrupting me in the way that he did, and I wish simply to say that the amended testimony of Mr. Heil makes our case, or the case of those who are opposed to the reduction of this tariff, even stronger than did the original statement. For, in the amended statement, which is a copy

of questions framed by Mr. Welborn and sent to Mr. Heil, together with a copy of Mr. Heil's answers to the same, it appears that in framing up the cost of sugar as given in the amended statement they have included the total cost of maintaining the experimental farm and have charged that cost against the crop of sugar, which is the only crop which they sell from that farm. They have even gone so far, I should judge from my reading of this, as to include the death of mules in with the cost of the production of sugar. I only know what Mr. Heil told me on this matter, namely, that the total cost which could be charged against the last crop of sugar was 9,000 pesos, and that he sold from the estate last year 17,000 pesos worth of sugar, leaving a net profit of 8,000 pesos, which was used to pay the other expenses of the government farm "La Granja," on the island of Negros.

With this explanation I wish to proceed and read two pages more of Mr. Heil's testimony before the Taft party, which will nearly close up what I have to say in reference to the evidence in these hearings. I will begin where I left off this morning, on page 179:

Señor RODRIGUEZ. A great deal of my land does not give ratoon crops at all, but some of it does give ratoon crops for three years—that is, I get three harvests without a new planting, and I find that I can get no further than the third crop, because of the passages between the cane getting too narrow for the carabaos to go through, so after the third year we make a new planting. On the low lands we don't make any ratoon crops at all. It is only out near the mountains.

Secretary TAFT. Where is "La Granja?"

Mr. HATHAWAY. That is the name of the government farm on the island of Negros. It is a farm of some 2,200 acres.

Mr. HEIL. It is up near the mountains and is fresh land.

Secretary TAFT. Ask Señor Rodriguez if his ratoon crop is better than his original crop.

Señor RODRIGUEZ. Yes; in the fresh land in the hills it is better.

Secretary TAFT. It is better for the third year?

Señor RODRIGUEZ. It is somewhat better quality, but it does not give such a yield as the first crop.

Secretary TAFT. But it sells at a better price?

Señor RODRIGUEZ. Yes; it is a degree or two superior in quality, but you must bear in mind that there is a less quantity.

Secretary TAFT. Mr. Heil, you say you have 150 acres of sugar. What else do you cultivate there?

Mr. HEIL. Rice.

Secretary TAFT. What else?

Mr. HEIL. Most everything there is in the United States.

This explains, by the way, if I may interject a remark here, why his expenses were so great, if charged against the single crop of sugar.

Secretary TAFT. You have machinery there?

Mr. HEIL. I have some.

Secretary TAFT. You have a steam plow?

Mr. HEIL. No, sir.

Secretary TAFT. Do you plow deeper than the planters here?

Mr. HEIL. I plow 10 to 12 inches.

Secretary TAFT. Is that deeper than they plow?

Mr. HEIL. They don't plow any deeper than 3 to 6 inches.

Secretary TAFT. What do they use—carabaos or mules?

Mr. HEIL. Mules.

Secretary TAFT. Do you find them more effective?

Mr. HEIL. Yes, sir; they do eight times as much work.

Representative McKinley, of Illinois. What do they cost over here?

Mr. HEIL. Two hundred pesos.

I notice in his amended statement he speaks of the cost of mules as the cost of the condemned army mule, and I know from my own observations over there that many of the planters buy up those condemned army mules, and they find them very effective. Those animals are condemned largely because their feet give out.

Representative SCOTT. You get better results than the native farmer does?

Mr. HEIL. Yes, sir.

Representative MCKINLEY. How much more does it cost to feed a mule than a carabao?

Mr. HEIL. You don't have to feed a carabao, but a mule might cost you about 40 centavos per day.

Secretary TAFT. Have you 200 acres of cane a portion of which is the tenth crop?

Mr. HEIL. Yes; about 10 acres.

Secretary TAFT. How do you know that it is the tenth crop?

Mr. HEIL. The native foreman on the place, who was there in Spanish times, told me that it was cut off during the time of the insurrection.

Secretray TAFT. What kind of sugar is it?

Mr. HEIL. No. 1 sugar.

Senator PATTERSON. Is the quantity as great as in the first crop?

Mr. HEIL. Very nearly.

And if I may be allowed to interject another statement at this point, I would like to call your attention to the statement of Mr. Lacson, to the effect that on his Isabela estate there has been a steady increase for ten years in the quality of the crop and a very slight decrease in the quantity.

Mr. HILL. That statement you refer to was a statement made to you?

Mr. HATHAWAY. Yes, sir; and not a statement made to the committee. I am much obliged to you for that correction, Mr. Hill, because I do not want to make a misstatement or have anyone misunderstand me if I can avoid it.

Representative SCOTT. Well, is it your opinion that that could be done universally?

Mr. HEIL. It is peculiar to that kind of land.

Secretary TAFT. Do you think you could raise ten crops on all that land?

Mr. HEIL. Well, I do not know. I could not speak for that. This has been my third year on there now.

Representative COCKRAN. You say that this piece of land, out of which you took ten crops, was not due to the cultivation, but to the quality of the land?

Mr. HEIL. No; I expect not.

Secretary TAFT. And they have fertilized it?

Mr. HEIL. No, sir.

Secretary TAFT. Your information is derived from the woman in charge?

Mr. HEIL. From the foreman in charge. It is near the side of a hill where the rains have washed away the grass.

Secretary TAFT. Then you think that the land is peculiarly situated?

Mr. HEIL. Yes, sir.

Senator SCOTT. I understood you to say you had been here only three years. Does it not take over a year to raise a crop?

Mr. HEIL. No, sir; I have raised three crops on the farm now and I have not been there quite three years.

Senator SCOTT. Then your knowledge as to the ten-year crop is gathered from what people have told you and not from your own knowledge?

Mr. HEIL. Yes, sir; from what people have told me.

Senator NEWLANDS. Were you engaged in sugar work before?

Mr. HEIL. Yes, sir; in Louisiana. I simply worked on a plantation there.

Senator NEWLANDS. Were you in a responsible position there?

Mr. HEIL. Well, no. I was just a foreman.

Senator NEWLANDS. Well, how do the methods which you are using upon this particular farm compare with the methods used in Louisiana?

Mr. HEIL. We used about the same machinery there. It was a small farm on which I was in Louisiana.

Senator NEWLANDS. Then were you not on one of the first-class farms with improved machinery?

Mr. HEIL. No, sir.

At the bottom of page 182, the next witness examined, a Mr. Nolan, speaks about this land upon which Mr. Heil is raising ten crops as being peculiarly situated, and as receiving the wash from the river. I call your attention to the fact that there is no river running across that farm. There is a river which runs along the north boundary and serves as the north boundary of that farm. It has banks so steep that we could not ride down them on our ponies. The bottom of the river is 30 feet below the surface of the ground, and in that ravine there is a little stream about half the width of this room and about knee deep. Now, if you can explain to me how this stream—and that is the single stream on that land—washes those fields 30 feet above the bed of the stream I would like to have you do it.

Mr. CLARK. Is that farm located as a piece of bottom land right at the foot of a hill?

Mr. HATHAWAY. It is not, any more than any other land in that immediate vicinity. I have here several pictures taken in that locality [exhibiting small album]. That land (La Granja) in this picture [indicating] is located 16 miles back from the ocean and is 275 feet above sea level. Standing on the porch of the farmhouse you can see the sea. There is not a hill of any description between this farm and the seacoast, and a workman could drive practically an uninterrupted furrow straight to the seacoast, unless he should chance to strike against some farm building.

I wish also in this immediate connection to call to your attention a photograph of Mr. Heil, the superintendent of La Granja, standing on the edge of this field of cane from which he is this year to cut the tenth crop. This cane, when I took the picture, was only eight months old [indicating photograph]. As you can see, it was somewhere about 10 feet high, and you can see whether or not it is a good crop if you will examine this picture.

I also wish to call your attention in this connection to another picture, which is a rather poor photograph, taken on the same farm, but which will give you an idea as to whether cane will grow to good advantage. I saw that cane field, and I asked a workman to come over there—Mr. Heil and I were together—and the workman was driving an American horse, cultivating. I had him place that horse in front of the cane in that field, and then I had him stand on the back of the horse and see if he could reach the top of the cane. That picture shows that he could not reach it. I measured some of that cane, and it was over 13 feet in height and 2½ inches in diameter. I have this third photograph of Mr. Heil standing on the edge of a cane field, and you can compare the size of the cane growing there at this time, under American methods of cultivation, with the size of the arm of the man in the picture, if you wish.

Mr. WILLIAM ALDEN SMITH. That is what you call "raising cane," I suppose?

Mr. HATHAWAY. That is what you may call it, either way you spell it.

Mr. UNDERWOOD. In making comparisons of cost of raising sugar I understand that the factories with which you are connected produce beet sugar.

Mr. HATHAWAY. Yes, sir.

Mr. UNDERWOOD. I would like to ask you to tell the committee—I understand you are connected with that business—what is the capitalization of those plants and the amount of sugar produced, so that I can make a comparison.

Mr. HATHAWAY. Very well. The seven companies with which I am connected, with the exception of two, are each capitalized—and this capitalization represents actual investment—at from \$600,000 to \$700,000.

Mr. UNDERWOOD. That is, all combined?

Mr. HATHAWAY. No, sir; each of them. They are separate corporations entirely. One of the other two has a capitalization of \$1,100,000 and the other of \$1,200,000. The output of sugar this year from each of those plants was between 8,000,000 and 10,000,000 pounds of sugar—that is, from each of them.

Mr. UNDERWOOD. From 8,000,000 to 10,000,000 pounds?

Mr. HATHAWAY. Yes, sir.

Mr. UNDERWOOD. Now, per ton of refined sugar, what is the capitalization required, on the average, to produce a ton?

Mr. HATHAWAY. Of refined sugar?

Mr. UNDERWOOD. Yes; of refined sugar.

Mr. HATHAWAY. That is a pretty hard question to answer offhand. I will give you the way in which we figure it. The cost of putting up a sugar plant is, by any one of the three leading construction companies that put those plants up, \$1,000 for each ton of daily capacity; that is, per ton of beets. If you put up a factory that will cut 600 tons of beets a day it will cost you \$600,000. That factory may make from each ton of beets 240 pounds of sugar.

Mr. UNDERWOOD. That gives me what I wanted.

Mr. HATHAWAY. Is that what you wanted?

Mr. UNDERWOOD. Yes, sir.

Mr. ROBERTSON. Have you finished your statement?

Mr. HATHAWAY. What I wanted to say here?

Mr. ROBERTSON. Have you concluded?

Mr. HATHAWAY. No, sir; not as yet; if I may have more of your time. I have concluded on that point.

Mr. WILLIAM ALDEN SMITH. Tell the committee your connection with these factories. I do not think you have said anything about what your connection is with them.

Mr. HATHAWAY. Very well. My connection with those factories is this: Each of those seven factories has a separate board of directors. They each select a member from their company to represent them on a central board. I am the representative of one of those factories on the central board, and as such representative am also the secretary of the central board, and in that position I have charge of buying the supplies for those seven factories and of selling their sugar.

The CHAIRMAN. Those seven factories are in combination?

Mr. HATHAWAY. I will explain how they are in combination. Each one of them has a separate board of directors; each one of them has a separate capitalization; each one of them has a separate

charter and a separate board of management, except as along the lines I have stated. Each one of them elects its own directors and its own executive staff.

Mr. HILL. What portion of the stock is owned by the American Sugar Refining Company?

Mr. HATHAWAY. I do not know that a dollar of the stock is so owned. I know that some of the stock is owned by a gentleman in Detroit, and that stock stands in his name, but whose money is back of it, I don't know.

Mr. HILL. That is not a controlling interest?

Mr. HATHAWAY. No, sir; that is not a controlling interest.

The CHAIRMAN. What is the object of this central organization?

Mr. HATHAWAY. I am very much obliged to you for that question, and I shall be glad to answer. Prior to that organization each one of these companies was selling its own sugar to practically the same customers. Let me give you an illustration. Here is John Jones, a wholesaler. He gets from company A his limit of credit, and he gets from company B his limit of credit, and from company C his limit of credit. We found out that our customers were loading up with all the way from four to seven times the limit of credit that they were entitled to receive. By our organization we stopped all that. The orders now come to me, and I distribute those orders as it seems best. Again, we found that we were shipping sugar and crossing freights, so that in some places we were paying a good deal more freight than we ought to pay by reason of that. We found that from some of our factories we could ship cheaper to Toledo, for instance, than some of the others. Now, if an order comes in from Toledo, it is filled from the factory from which the freight rates are least.

I have explained the two reasons for our organization. Is that sufficient?

The CHAIRMAN. You had better go on with your statement, I think.

Mr. HATHAWAY. Very well. I will now take up a question here which is a peculiarly interesting one. I will read now from the hearings before the Ways and Means Committee on January 23 to 28, 1905, page 187. Secretary Taft was addressing the committee, and he said, "but there is no peonage in Negros or in any other of the sugar provinces."

I wish to read for your consideration, as bearing on this question, a few statements concerning the system of peonage in those islands. First I will read from my diary concerning an interview which I had with Mr. H. L. Higgins on the 21st day of June, 1905. Mr. Higgins is the general manager of the Manila and Dagupan Railroad. He says:

Along the line of the railroad the old Spanish system of peonage still exists, especially on sugar estates. The owner has gathered around him numerous dependents. In many cases this relationship has existed for generations. Nominally the owner allows these so-called tenants to work the land on halves. Practically he advances rice and clothing to the tenants during the growing season at such prices that he secures the tenant's portion of the crop at his own figures, and the tenant is in debt to the owner at the end of the season. Moreover, the son is held for the father's debt, and so a virtual system of servitude exists from generation to generation. This is the practical condition at present, away from the centers of population.

I quote next from Mr. Maxson, the superintendent of schools at Iloilo, who has been there four years:

Mr. Maxson had personally known a father to come in from the country and offer his daughter for sale for \$1. He had also known a case where a woman had recently secured her release from a debt of 75 pesos, contracted when she was 7 years old. A family claimed to have advanced that amount to pay the funeral expenses of her parents. The girl had grown up a servant—virtually a slave of this family. She is now an elderly woman with a family of her own, who in turn had become servants or slaves of her owners. Now, she and her family had just secured a release from the 75 peso debt, contracted when she was 7 years old.

Last week Commissioner Worcester told me of a similar instance, where the original debt was 25 cents loaned for the purchase of a shirt. Judge McCabe also told me of similar instances that had come under his observation.

Again I quote from my diary what was told me by Judge McCabe, who is judge in the court of first instance, on June 25, 1905:

Judge McCabe says most of the sugar and hemp produced on the islands are raised on the share system; that the landlord furnishes the tenant with living, which is charged against the tenant's share of the crop at such an enormous price that at the end of the season the tenant is in debt to the landlord, who takes over the tenant's share of the crop at his own price. By such a system the tenant is perpetually in debt and virtually becomes attached to the estate and works continuously for the landlord at a wage which amounts to his keep. These tenants are not, however, sold with the estate or forcibly retained upon the estate, as was the custom under Spanish rule. Some landlords are attempting to maintain the old system, but are forced to abandon it when the matter is brought officially to the government's attention. If, however, the governor of a province happens to be a rich native, as is often the case, he does not interfere in such matters. The harsher system of vassalage or peonage is more frequently practiced in the tobacco business.

Mr. Shearer, the provincial treasurer of the province of Pampanga, in an interview with me on June 26, 1905, said, as follows:

The average cost of producing sugar where everything is hired is usually given at \$1.75 per picul, or a cent and one-quarter gold per pound. In point of fact no sugar is raised this way. All is raised on shares according to the following general rule:

If the landlord furnishes simply the land and the tenant the carabao and tools, each takes one-half the crop. If the landlord furnishes the land, carabao, and tools, he takes three-fourths and the tenant one-fourth. The crop is divided after the sugar is made and when standing in pilones at the mill. The Chinese compadore who buys the sugar at the mill pays all charges for repacking in mats, hauling to river, and shipment to Manila, either via railroad or in caskets, usually the latter being used. The present price is \$2.25 gold per picul, a large part of this year's crop having been moved at from \$3 to \$3.50 gold per picul, and some of it as high as \$5 per picul. The yield per acre runs from 1½ to 3 tons (long) per acre, averaging about 2 tons.

The tenant gets from the landlord sufficient advances to keep him and his family while the crop is growing. The landlord furnishes these advances, usually of food and clothing, at from 100 per cent to 500 per cent profit, and the tenant invariably comes out in debt at the end of the season, at least by the landlord's book. The tenant's share of the crop is always sold to the landlord. The tenants are so poor that the almost universal plan is to adopt the three-quarter and one-quarter division of the crop.

Capt. W. A. Smith, chief of constabulary for the island of Negros, who has been on the island three years—he went out with the engineers—said:

Considerable sugar is raised on shares, the usual division being half and half where the tenant furnishes the carabao. The tenant's share is invariably absorbed by the landlord to pay for advances in money and provision. The tenant always comes out in debt, and usually, through the help of the native

justice of the peace, the landlord keeps the tenant upon the estate perpetually. Occasionally a tenant runs away. Captain Smith has frequently been asked to catch such fugitives, but has always refused. He says the labor system in Negros is worse than the slave system in the United States before the civil war (Captain Smith is from Kentucky, and has some knowledge of the question upon which to base comparison). It is just as effectual, as far as bondage is concerned, and the landlord has none of the old American planter's sense of obligation with regard to his servant's health and food. Between the Negros planter and his workman there is no affection.

In view of this evidence from persons in the islands, I leave you to judge whether there is a system of peonage on Philippine sugar estates. I also wish to ask if it is sound American policy to bring the American laborer into competition with that kind of labor in the production of sugar? Whether you prefer to have the farmer receive \$2.31 a hundred for every pound of sugar he brings to the factory in its raw state, and the American laborer to receive from \$1.50 to \$2 per day, or whether you prefer to build up a semislave system in the Philippines and tell the farmer to abandon beet raising in the United States?

Mr. CLARK, of Missouri. If you have no objection, I would like to ask you this question: At the hearings here last winter Secretary Taft in his speech—I have not read it for a long time, but I remember very clearly what he said—said that the production of hemp over there was much more remunerative than the production of tobacco or sugar; that even if this bill was passed it would not have any perceptible effect on the amount of sugar that would be sent into this country from the Philippines, or the amount of tobacco, either.

Did you make any observations along the hemp line over there?

Mr. HATHAWAY. Not at all, sir.

Mr. CLARK. You confined yourself to sugar?

Mr. HATHAWAY. Yes, sir.

Mr. CURTIS. You were in the hemp district, were you not?

Mr. HATHAWAY. No sir; except in the foothills of Negros.

Mr. CURTIS. You got information as to the prosperity of the hemp business, did you not?

Mr. HATHAWAY. No, sir.

Mr. CURTIS. You got information as to the prosperity of the hemp business, did you not?

Mr. HATHAWAY. Only from general reports and reading.

Mr. CURTIS. Information that you could rely upon?

Mr. HATHAWAY. I made no inquiries as to the hemp business.

Mr. CURTIS. You knew from what you heard there that the people in the hemp districts are in a very prosperous condition, while they are not in the sugar or tobacco districts?

Mr. HATHAWAY. I would not, probably, accept the latter part of your statement. I think there is less difficulty and less depression in the sugar and tobacco districts than some gentlemen might be led to believe. I think that when a gentleman clears in one season 200,000 pesos from a crop of 43,000 piculs of sugar he is not very bad off; and that man never used an American plow until just before you got into the islands. He bought his first American plow the day I visited him on his estate, and the man was there setting it up.

Mr. WILLIAM ALDEN SMITH. Under your argument that does not benefit the American workman?

Mr. HATHAWAY. No, sir; that man was paying 5 or 6 cents a day for his labor.

Mr. WILLIAM ALDEN SMITH. That would hardly bring about a condition of prosperity.

Mr. HATHAWAY. Well, whether it is prosperity or not you can judge for yourself.

When I went from plantation to plantation in those islands, I made a diary as I went, and put it into permanent form at night. I wish to call attention to the wage rates which I found being paid on those islands on the sugar plantations. First I will give, if you desire here, the names of each man I interviewed, the rate he is paying, both in money and meal cost, and the sum total. On the island of Negros the mathematical average of wages on all the plantations I visited, reduced to our money, is 8 cents for the day wage, 5 cents for the food cost, and 13 cents for the total cost to the planter. On the island of Panay the average given me is 9 cents in money and 5 cents in meal cost. There are two of the planters there from whom I did not get either their money wage or food cost; so that the average of the wage estimated in both money and food combined is 16 cents. This is my report to my business associates who sent me to the islands.

Mr. CURTIS. This is only on sugar?

Mr. HATHAWAY. On the sugar plantations; yes.

Mr. CURTIS. Sugar alone?

Mr. HATHAWAY. Yes, sir. I have made some investigations in other lines, but this is on sugar:

These sugar plantations schedules agree very closely with the Philippine government reports. In the report of the Philippine bureau of agriculture for the year ending August 31, 1904, the chief of the bureau, Mr. Welborn, says, on page 29:

"There is one important item of economy that the Negros planter has down to a fine point. The average laborer does not receive quite 16 cents gold a day in money and food combined. I have seen fifty and a hundred sitting on their tools waiting for daylight to begin a day's work."

He says not quite 16 cents a day. I made it on one island 13 cents and on the other 14 or 15 cents. In the census report which I have referred to this morning the day wage is figured at 17 cents.

These nominal sugar-plantation wage rates are greatly reduced by the general system of raising sugar on shares. Under this system the planter makes advances to the workman in food and clothing just sufficient for his needs, and, no matter what the agreed division of the crop may be, the planter at the end of the season takes the entire crop to compensate him for such advances and the use of his land. The workman invariably comes out in debt to the planter. As such debts descend from parents to children, the workman and his family are virtual slaves to the planter and maintain this relationship from generation to generation. Thus there is being maintained on the sugar plantations a system of peonage which, as Captain Smith says, is "just as effectual and more odious than that which existed in the United States prior to the civil war."

That this Philippine peonage system is illegal is admitted, but that it exists is also admitted freely by all honest dwellers in the islands who are conversant with actual conditions. The only way a plantation peon can become free is to run away or take his case before a justice of the peace or the governor of the province. As both of these officials are usually natives who are in sympathy with the system, and who themselves have peons on their estates, the ignorant slave is excluded from all legal redress and must resort to running away. Constabulary officers are frequently asked to capture such fugitives, but refuse.

In regard to the effectiveness of Filipino labor, the consensus of opinion expressed by those who have had experience with this and white labor is that in general sugar-plantation work about two and one-half natives are equal to one

white man, but that in some kinds of work, like stripping cane, a native will do more work than a white man. This makes the Philippine planter's labor cost about 35 cents gold for the equivalent amount of labor performed in one day by an American workman in the United States.

Each statement that I have made here is corroborated by the statements given from the hearings, both by Commissioner Luzuriaga and Mr. Welborn, that one man tends $2\frac{1}{2}$ acres of cane, whereas in this country one man tends 5 acres of beets.

I wish to speak next concerning the agricultural conditions, and I read from my diary:

The universal draft animal used in the Philippines is the carabao, which is probably the slowest moving fourfooted beast of burden known to man. The carabao can work but five or six hours a day, and when so used requires a bath about once an hour. The tools used on sugar plantations are a crooked-stick iron-pointed plow, which stirs the ground from 2 to 3 inches deep; a wooden-tooth bamboo harrow; a hoe; the working bolo, for cutting the cane, and a bamboo sled for hauling the cane.

Mr. J. J. Watkins, the only Aemrican business man in Iloilo, had sold and delivered (July, 1905) about 100 American disk plows in Negros and Panay. I saw several of these tools and they are generally liked where they have been used.

With native tools and carabao it requires from fifteen to twenty-five days' labor to prepare an acre of land for cane planting. Crop cultivation is performed almost entirely with a hoe.

Nothing is done in the matter of crop rotation, fertilization, or irrigation. When the soil becomes exhausted a new piece is worked. Thus far this has entailed but little hardship, as only a small portion of the available land has ever been cultivated. The wonderful fertility of the soil is illustrated by the fact that the shore plain near Bacolod, Negros, has been cultivated continuously for from fifty to sixty years and never more than 3 inches deep, the fields being occasionally allowed to lie fallow for a season or two. Not a pound of fertilizer has ever been used on this land, nor have the crops ever been rotated except to produce enough rice for the field hands. These same lands this season yield their owners from 1,500 to 2,000 pounds of 86° sugar per acre, even when the cane is ground in mills that waste 40 per cent of the sugar.

Much of the so-called "exhausted sugar lands" of the Philippines can be made very productive by tilling 10 inches deep and using fertilizer, as is done in other cane-producing countries.

The soil in Pampanga, central Panay, and throughout many portions of Negros is fine silt or crumbly clay loam, free from stone and rich in humus. In the interior valleys of Negros the soil is volcanic, similar to that in Hawaii. Everywhere the soil depth ranges from 18 inches to 10 feet. In the sugar belt there are no forests, and even the land that is not under cultivation requires little clearing to fit it for the plow. There is scarcely a tree in the Binalbagan Valley, Negros. Standing on its edge one can see its entire area, nearly 300 square miles. In the Bago Valley, Negros, a workman could strike practically a straight, uninterrupted furrow from La Granja, the government farm, to the sea coast, 16 miles distant.

Nearly all the sugar area of the Philippines can be easily irrigated. Without irrigation the crop is often damaged, as the planting season is finished by April 1, and the rainy season does not usually begin until the middle of June.

The next point is the result of my observation and the investigation concerning ratoon crops. I read again from my diary:

In Pampanga the coastal plain of Negros, which is a strip about 3 miles wide, extending along the western coast of the island from Silay to Binalbagan, about 45 miles, and in certain portions of central and northern Panay planters take off but one crop to a planting. In the Ajui district, Panay, they take off one ratoon; in the Dingle and Passi districts, in central Panay, they take off two or three ratoons; in San Carlos, Bago, Binalbagan, and Illog districts, Negros, they take off from three to five ratoons. On the government farm, La Granja, Negros, they will this winter cut the ninth ratoon from one field, and they usually take off six or seven ratoons.

That is given in Mr. Welborn's report. He says it is not necessary for them to plant cane there for the next six or seven years in order to preserve their present acreage.

Mr. UNDERWOOD. By "ratoons," do you mean the crops that come the same year of the planting?

Mr. HATHAWAY. No, sir; one ratoon each year after the original crop. Here is a statement given me by Attorney P. Q. Rothrock, a fine gentleman, who has been all over the island districts. I will read further:

In the Illog district planters have taken off 18 ratoons. All ratoons are in addition to the original crop.

Mr. ROBERTSON. That would be nineteen years it would run, then?

Mr. HATHAWAY. Yes, sir; they have been known to do that.
[Reading:]

Mr. Welborn, in his address before the Taft party in Manila August 8, 1905, states that 0.8 of all the Philippine sugar is raised in Negros. As less than one-fourth of Negros sugar is produced on the coastal plain, it is readily seen that 60 per cent of the Philippine output is produced on Negros soil, which yields several ratoons from the original planting. Fully 10 per cent more comes from the Panay districts, which yield at least one ratoon, leaving but 30 per cent of the Philippine crop to come from localities that yield only one crop from the original planting. In ratoon districts the second and third crops show an increase in quality of sugar produced and a 20 per cent decrease in quantity as compared with the original crop.

Of all the persons interviewed, only three, Messrs. Luchsinger, Welborn, and Grinrod, told me that Philippine planters get but one crop from a planting.

The first of these, Mr. Luchsinger, owns an estate, "El Progresso," in Binal-bagan, Negros, from which he takes four or five crops from one planting; the second, Mr. Welborn, was at the time of my visit negotiating for a sugar estate in the same valley which has been yielding seven crops from one planting; the third, Mr. Grinrod, draws a salary as secretary of the Iloilo Chamber of Commerce, an organization whose sole object is to help secure the abolition of United States duties on Philippine sugar.

That these three gentlemen do not state the facts in the case is evidenced by the testimony of the following planters, as given to me personally.

Here is a list of the names, which I will not read in full. Mr. Amachazura, a planter of Negros, says that he takes from 5 to 10 crops from a planting; the superintendent of the Antolouga plantation, Negros, from 4 to 6; Señor Domingo, of Panay, says that he gets 2 or 3; Gayoso, in Panay, says that he takes 3; Grupe, of Negros, says that he takes from 3 to 5; Mr. Heil says that he takes from 6 to 10—usually 6 or 7; Hoz de La, of Negros, 4 to 5; Lacson, on his lower estate, 1 near the coast and 2 on his upper estate and 10 on his Isabela estate; Montanola, who owns an estate near the government farm of La Granja, 3 to 5; Penz, 1 to 10 on his upper land; Pradera, 2 or 3; Puller, from 2 to 3; Rocer, the president of Dingle, in the island of Panay, 2; Rothrock, in Negros, gives evidence all the way from 1 to 18, owing to the character of the land, and Yulo, of Negros, 4.

I have already quoted to you this morning what Commissioner Luzuriaga says in the census.

As I was not in the Philippines during the harvesting season, I am unable to tell from my own observation the yield per acre. The following table shows the yield per acre in long tons (2,240 pounds of 16 piculs), the name and business of my informant, and also the locality referred to by him:

Name.	Business.	Location.	Tons.
Shearer	Provincial treasurer	Luzon	1½ to 3
Welborn	Chief bureau agriculture	do	1
Grupe	Planter	Negros	1½
Heil	do	do	3 to 4
Hoz de La	do	do	3 to 4
Lacson	do	do	2½
Luchsinger	Planter and broker	do	1½
Penz	Planter	do	1½
Pradera	do	do	1¼
Regalado	do	do	2½
Rothrock Do	Planter and attorney	do	2 to 2½
Smith	Captain constabulary	do	1½ to 2
Domingo	Planter	Panay	4 to 5
Gayoso	do	do	2 to 2½
Magalona	Padre	do	1½
Rocer	Planter	do	1¾

The figures in this table refer to long tons.

From my investigation I believe that a conservative estimate of the yield per acre under present agricultural and milling conditions is about 1½ tons in Pampanga, the leading sugar province tributary to Manila; from three-fourths to 1 ton on the coastal plain of Negros; from 1½ to 2½, say an average of 2 tons, in the remainder of Negros, and from 1½ to 2 tons in Panay.

The Philippine Census, Volume IV, page 229, gives the yield per acre for the year 1902 to be, in Pampanga, 1,000 pounds; in Negros, including the poor land on the coastal plain, 2,800 pounds; in Panay, 2,250 pounds.

Concerning the yield of the year 1902, it is stated in the same volume, page 223, that it is "not more than half the normal amount."

These two census statements taken together make my own estimate and the official report to agree quite closely.

I next wish to take up the matter of the cost of production. I went around to some of these planters, and I was received courteously by them. I did not base my verdict on what was stated in the city, but I went out in the country to the planters, and in some cases those planters took down their books and showed them to me, and showed me just how everything had been charged against the crop that could be charged.

Mr. McCLEARY. Were these native planters?

Mr. HATHAWAY. They were either full Spaniards or Mestizos generally. There is not a single statement made by me in regard to this cost of production that was not made in the presence of an American witness, and most of these statements were made in the presence of Major Gove.

Mr. WILLIAM ALDEN SMITH. Assuming 40 per cent is lost because of the character of the machinery used in the Philippines—

Mr. HATHAWAY. Yes, sir.

Mr. WILLIAM ALDEN SMITH. And about 50 per cent of the productiveness of the soil has been realized, what is the capacity of that soil?

Mr. HATHAWAY. About 6 or 8 tons to the acre. A modern mill secures 90 per cent of the sugar in the cane.

Mr. WILLIAM ALDEN SMITH. What would be the yield of an acre in Michigan?

Mr. HATHAWAY. The greatest possible yield in Michigan is 2 tons of sugar per acre. The modern mill saves 90 per cent of the sugar

in the cane. Mr. Worcester says that some of the mills in the islands save 60 per cent of the sugar in the cane, and Governor Wright, I think, states that the loss is about 30 per cent with their method. Mr. Welborn's statement seems to agree with the statements of Governor Wright and Mr. Worcester.

Mr. WILLIAM ALDEN SMITH. If it will not interrupt you too much, I have one thing that I would like to ask you. What is the yield of that land in the Philippines?

Mr. HATHAWAY. From 6 to 8 tons per acre, with the cane ground with modern machinery and soil tilled by modern methods.

Mr. WILLIAM ALDEN SMITH. And what is it in Michigan?

Mr. HATHAWAY. About 2 tons is the maximum.

Mr. WILLIAM ALDEN SMITH. And the wage is how much?

Mr. HATHAWAY. It is \$1.50 in the field and from \$2 to \$2.25 in the mill.

Mr. WILLIAM ALDEN SMITH. And what is it in the Philippines?

Mr. HATHAWAY. The average wage in the Philippines would be less than 16 cents a day, according to Philippine government reports.

Mr. WILLIAM ALDEN SMITH. And the cost of transportation from the Philippines to the American market is how much?

Mr. HATHAWAY. Insurance included, it would be one-quarter of a cent a pound.

Mr. WILLIAM ALDEN SMITH. Your contention is that they need no additional protection?

Mr. HATHAWAY. I have tried to demonstrate it.

The CHAIRMAN. I understood you to say at the outstart of your statement that you went to the Philippines primarily to ascertain whether or not it would be a good place to make an investment?

Mr. HATHAWAY. Yes, sir.

The CHAIRMAN. Did you recommend an investment to those parties who sent you there?

Mr. HATHAWAY. Yes, sir; depending on two conditions. . .

The CHAIRMAN. Will you give us those?

Mr. HATHAWAY. I will give them a little later.

The CHAIRMAN. I wish you would give them.

Mr. HATHAWAY. One of the gentlemen who wanted me to get an option on some land there sits in this room. His last words to me were: "Get this option on the land, if it is best in your judgment."

Mr. HILL. Did you do it?

Mr. HATHAWAY. I have a conditional option; yes, sir. And whether we will use that option or not will depend largely on your action here, as I will show you before you get through. It will largely depend upon your action.

I have here another table showing the plantation cost of sugar and the cost of transportation to market as given to me by the men who raise the sugar, not by the politicians over there. This table shows that the average cost per picul on the estate is 1.54 pesos. It shows that the average cost of transportation to Iloilo warehouse is 0.41 centavos, and the total cost of the sugar laid down in Iloilo warehouse to be 2.05 per picul. The discrepancy of 10 centavos arises from the fact that I have not the transportation charges for two of the planters. Reducing that to American money, the average per hundred pounds, first cost of sugar, as given me by the different planters in the island of Negros upon their own farms, is 56 cents per

hundred pounds gold on the average Negros estate. The average cost per hundred pounds delivered in Iloilo warehouse is 74½ cents. This shows that the cost of transportation from the estate to Iloilo warehouse is 18½ cents. On Panay the average cost, reduced to American money, per hundred pounds is 57 cents—the cost in gold per hundred pounds on the average Panay estate, as against 56 cents in Negros and 73½ cents, the cost in gold per hundred pounds, in Iloilo godown or warehouse, leaving 16½ cents as the cost of transportation from the estate to the warehouse in Iloilo. It is less in Panay than from Negros, because of the fact that you have to take it a less distance, and it is mostly hauled in by cart. I continue to read from my diary:

From people in the Philippines who are not sugar planters I obtained the following data concerning cost of sugar production:

Mr. Higgins, general manager of the M. and D. Railroad, says that the commonly accepted cost of producing sugar along the line of his road is 91 cents gold per 100 pounds, which he believes to be a high estimate.

Mr. Jones, manager of Iloilo branch Smith, Bell & Co., says that under Spanish rule it cost about one-half cent gold per pound, and that the present cost is about double that amount.

Mr. Luchsinger places the cost at \$1.27 gold per 100 pounds, which Mr. Rothrock says includes an allowance for wear and tear of animals, tools, and machinery, together with interest on the investment.

Mr. Luchsinger is classed under this head because of his pronounced anti-tariff views and his known tendency to place sugar cost at a high figure.

Mr. Shearer, the treasurer of Pampanga, says that where everything is hired it costs in his district \$1.27 gold per 100 pounds to produce sugar, but that in point of fact none of it is produced in this way, it all being grown on shares.

The plantation cost of Philippine sugar is greatly increased by the enormous interest rates exacted by brokers from planters, which rates range from 2 per cent to 10 per cent per month, averaging fully 3 per cent per month. The ironclad contract under which this money is borrowed provides that the borrower shall sell his sugar to the creditor (broker), store his sugar in the creditor's warehouse, ship his sugar in the creditor's boats, buy his general supplies from the creditor, pay the creditor 12 per cent annual interest on the loan, and in addition from 2 per cent to 2½ per cent commission on the entire crop irrespective of the amount of money borrowed.

MILLS AND MILLING.

The customary Philippine sugar mill consists of three horizontal rolls 18 inches long and 10 inches in diameter set one above and two below. These rolls are driven by a gearing. Power is usually furnished by a carabao hitched to a sweep. In the poorer districts men are used in place of carabaos. In about 50 per cent of the mills (see Philippine Census, Vol. IV, p. 487) steam is used, the engine being usually 12 horsepower. Among the foothills in Negros the mills are driven by water power.

Beneath the rolls, or sometimes a little to one side, is a pit into which the juice drips and from which it is taken with a bamboo dipper and carried in pails to open iron kettles.

The mill is usually placed under a nipa roof shed. Sometimes this is inclosed with bamboo slats; more often it is not. At the best mills there is a shed to protect the sun-dried bagasse and an inclosed room to contain the sugar. The complete cost of building a good average mill is given as 1,500 pesos (\$750).

Mr. UNDERWOOD. As against \$600,000 in this country?

Mr. HATHAWAY. Yes, sir.

Mr. UNDERWOOD. Have you any figures as to the amount of capital invested there?

Mr. HATHAWAY. No, sir; I have not.

The daily output of such a mill is from two to three tons of dark brown sugar ranging in purity from 79° to 86°. A few of the Negros mills are said to produce 93° sugar. On a few of the best plantations permanent tramways lead

from some of the fields to the mills. In most of the places the cane is hauled on sleds from field to mill. It is fed into the crushers by hand, two or three stalks at a time.

The next subject I have treated here in my diary is transportation, but I do not know that it would be interesting to you to hear it discussed here.

The CHAIRMAN. You can leave that document, and it will be put in the hearing, if you like.

Mr. HATHAWAY. I wish to call your attention next to what seems to be the ultimate sugar production of the Philippine Islands. That is one thing, it seems to me, that it is well to consider in connection with this business here.

The report of the Manila Chamber of Commerce for the year ending December 31, 1904, gives the exports of Philippine sugar from 1894 to 1904 in long tons as follows:

Year.	Manila.	Iloilo.	Cebu.	Total.
	Long tons.	Long tons.	Long tons.	Long tons.
1894	96,353	88,524	10,189	192,146
1895	108,483	109,645	10,322	228,450
1896	97,010	123,933	7,702	228,645
1897	57,847	127,744	15,444	201,035
1898	16,023	153,104	9,467	178,594
1899	5,023	74,856	13,174	93,053
1900	26,089	83,802	4,877	64,288
1901	4,295	43,204	8,041	53,540
1902	439	87,048	4,436	91,923
1903	225	88,246	5,967	89,588
1904	4,212	78,159	1,615	83,986

The above report agrees with the private records of Stevenson & Co. and Smith, Bell & Co. It also shows conclusively that the sugar country in Luzon tributary to Manila suffered most from the ravages of war.

Willet and Gray give the Philippine crop in long tons as follows:

1902-3	-----	90,000
1903-4	-----	80,000
1904-5	-----	96,875
1905-6	-----	105,000

The two above reports agree very closely and must both refer to the exported portion of the crop, as is shown by the report of the complete production for the year 1902, given in Philippine Census, Volume IV, page 220, to be 180,217,383 kilograms, or 177,000 long tons. This makes the amount of sugar consumed in the islands to be 177,000—91,923, or 85,077 long tons, a per capita consumption of 27 pounds based upon a civilized population of 6,897,686, as shown by Philippine Census, Volume II, page 14.

The Philippine Census, Volume IV, page 221, gives the 1902 area planted to cane to be 71,885 hectares, or 180,000 acres, or 280 square miles; an area about equal to the cane area of the Binalbagan Valley, in the island of Negros.

The area of Negros is 4,881 square miles; of Panay, 4,611 square miles; of Pampanga Province, 868 square miles. (See Philippine Census, Vol. I, pp. 68, 69, and 58.) Over these three districts I have traveled, and from my own observations, together with the examination of carefully prepared maps made by the best posted local citizens, I am convinced that at least one-third of Negros, one-fourth of Panay, and three-fourths of Pampanga are ideal sugar lands. This would give a total cane area in these three districts alone of 2,431 square miles. The Philippine Census Report, Volume IV, page 220, shows that these three localities planted 43,996 hectares in 1902, which is only 61 per cent of the total Philippine cane area for that year. There are certainly great quantities of cane lands in other parts of the islands; probably no one knows how much. Considering that the present yield per acre is only about one-quarter of what it should be under modern agricultural and milling conditions, there seems to be reasonable justification for the statements of Messrs. Baldwin,

Wood, and Worcester that the natural cane resources of the Philippines are practically unlimited, and to throw the burden of proof upon Messrs. Welborn and Wright when they limit the annual production to 400,000 or 500,000 tons. Such limitation must certainly result from other sources than those fixed by nature.

I think this covers what I want to say, but I want to sum it up as follows: The sugar business of the Philippine Islands is conducted in such a manner that it entails a system of semiservile labor at the present time; that that labor receives nominal wages of about 15 cents a day; that the method of production in those islands is such that the yield per acre is only about one-quarter of what it would be under American or European methods such as are used in Cuba, Hawaii, or Java; that there is a great amount of ideal cane land in those islands from which sugar can be raised; that the cost of raising that sugar and delivering it at tide water in the Philippines is approximately three-quarters of a cent per pound under present conditions, with the poor methods and high interest rates.

Mr. WILLIAM ALDEN SMITH. That is raw sugar?

Mr. HATHAWAY. Raw sugar. That the cost of transporting that sugar to New York, insurance included, is a trifle less for the last twelve months than 25 cents per 100 pounds, and the range for the last few years has been from 21 cents to 27 cents; that it does not seem to me that the American producer of sugar should be compelled either to compete with Philippine labor at 15 cents a day or with Philippine sugar at a cent a pound; that the fact that a tariff exists between this country and the Philippines at the present time and that the proposed bill leaves the tariff there, establishes the fact that for taxation purposes at least those islands are regarded as an insular or colonial possession.

Mr. McCLEARY. I did not quite hear the last part of that.

Mr. HATHAWAY. I say that they are regarded as an insular or colonial possession, and not as an integral territory; that it becomes a matter of policy whether that tariff shall be at this figure or at that figure.

I wish also to call your attention to the fact that certain European countries possessing great tropical colonies have been able to keep those colonies in a prosperous condition and at the same time to develop highly the beet-sugar interests in their own country. That they have accomplished this by maintaining a system of taxation, or tariff, on sugar coming from their colonies into the home country, and that it is not inconsistent for us to adopt a similar policy in order that prosperity may attend the islands and prosperity may attend us. It will be a terrible blow to the beet-sugar interests of the United States if this measure passes.

The CHAIRMAN. Are there any questions?

Mr. ROBERTSON. When do they harvest the crop and when are they ready to export it?

Mr. HATHAWAY. They begin harvesting the crop in the Philippines in the month of November and get nicely started in December; begin shipment in January, and it reaches this country along about the last of February or the first of March.

Mr. ROBERTSON. Do you know anything about the status of last year's crop?

Mr. HATHAWAY. Yes, sir; I think I do.

Mr. ROBERTSON. As to where it was and where it is, and what conditions now surround it?

Mr. HATHAWAY. When I was in Iloilo, the port from which 95 per cent of the sugar exports are made, I ascertained that there was only a part of one cargo left in Iloilo. All the rest had been shipped from Iloilo. Since I came to this city I have received a letter which locates a part of last year's crop. With your permission I will read the letter.

Mr. ROBERTSON. Very well.

Mr. HATHAWAY. There is none of the last year's crop in the Philippines at the present time.

Mr. ROBERTSON. From whom is that letter?

Mr. HATHAWAY. It is signed by Mr. W. P. Willett, of the firm of Willett & Gray, No. 82 Wall street, New York.

It reads as follows:

Philippine crop begins to be made in December, and they generally get around to export it by January.

The stock here is held principally by H. W. Peabody & Co., 32,168 tons. A small portion is held by L. W. & P. Armstrong, 1,500, and Balfour, Williamson & Co., 1,880 tons; Czarnihou McDougal, 2,500. Total, 38,048 tons, November 1, 1905.

Our information is that these parties do not own these sugars, but hold them on consignment for English houses in the Philippines.

In fact quite a proportion of this stock has been thrown into the hands of the British bankers who financed the shipment. The loss is too great for almost any mercantile house to bear.

You see how great interests are at stake to have the duties taken off.

The stock of sugar in the island in November is an unknown quantity, but probably next to nothing.

Mr. ROBERTSON. Where is that sugar; in New York?

Mr. HATHAWAY. It is in bonded warehouses in New York.

Mr. ROBERTSON. Has it paid any duties?

Mr. HATHAWAY. No, sir; it has not paid any duty as yet.

Mr. ROBERTSON. How long will it be retained in bond?

Mr. HATHAWAY. I can not answer that question.

Mr. ROBERTSON. Suppose we pass this act within 30 days, would those tariff customs dues be remitted?

Mr. HATHAWAY. Undoubtedly they would be.

Mr. ROBERTSON. How much would that whole duty amount to?

Mr. HATHAWAY. The remission of the tariff duties alone on that amount of sugar comes to about \$800,000.

Mr. ROBERTSON. Where does that go?

Mr. HATHAWAY. To the British importer.

Mr. WILLIAM ALDEN SMITH. What proportion of the crop is that?

Mr. HATHAWAY. A little more than one-third.

Mr. WILLIAM ALDEN SMITH. What did you say the duties would be at the present rate?

Mr. HATHAWAY. The duty is three-quarters of \$1.68 for 96° sugar.

Mr. WILLIAM ALDEN SMITH. What would that aggregate?

Mr. HATHAWAY. One dollar and twenty-six cents on the basis of 96° sugar. The duty on this brand of sugar would depend on the polariscope test.

Mr. ROBERTSON. It averages about 84, does it not?

Mr. HATHAWAY. I think so.

General WRIGHT. May I ask what the duty on 84 per cent sugar is?

Mr. HATHAWAY. I think it is about 90 cents. I may be mistaken in that.

Mr. COLCOCK. It is $3\frac{1}{2}$ points down for each degree. It is 1,265—a cent and a quarter. That is the duty under the Dingley bill. Now, you give the Filipino 25 per cent off of that.

(At this point Mr. Payne assumed the chair.)

Mr. HATHAWAY. This present bill removes three-fourths of the full Dingley rate.

Mr. CURTIS. In your statement this morning with reference to the loss in the production of sugar, I wish you would state to the committee how you understood the statement made by me. Did you not understand it as a question?

Mr. HATHAWAY. Thank you. I do not wish to make any wrong statement.

Mr. CURTIS. You need not read it.

Mr. HATHAWAY. I want to make a definite reference to it, so that there will be no mistake. In reference to the testimony of Señor Heras, on page 18 in the hearings, he makes a statement concerning the loss by virtue of the imposition of an excise tax. I will read from the hearings, page 18, the passage referred to:

Representative CURTIS. He does not intend that statement for his entire sugar crop. It was meant to apply only to molasses?

That statement by Mr. Curtis is followed by a question mark, you see, so that I understand it was meant by Mr. Curtis to be only a question as to whether it did apply to his whole crop or only to the molasses.

Mr. CURTIS. This morning you gave us the cost of shipping sugar to New York.

Mr. HATHAWAY. No, sir; I beg your pardon; I did not say to New York.

Mr. CURTIS. I understood you to say it would cost the same to ship the sugar from the Philippine Islands to New York as it cost to ship it from Michigan.

Mr. HATHAWAY. No, sir; I said it cost nearly the same to ship it from Michigan to Minneapolis, St. Paul, or Duluth, or to the interior points in Wisconsin, viz, 22 cents a hundred.

Mr. CURTIS. Not to New York.

Mr. HATHAWAY. No, sir; and I made a further statement that the rate from New York to Chicago was 24 cents.

Mr. CURTIS. But none of your sugar goes to New York, as a matter of fact?

Mr. HATHAWAY. Not a pound of it.

Mr. CURTIS. How much of the beet is cut off by the sugar factory before the test is made?

Mr. HATHAWAY. There is none of it cut off. The contract under which the farmer grows beets provides that he shall cut off the tops to the lowest leaf scar.

Mr. CURTIS. Is that the practice?

Mr. HATHAWAY. I do not know whether it is the universal practice.

Mr. CURTIS. I asked the question because I heard that they required one-third to be cut off.

Mr. HATHAWAY. I never heard of such beet proposition anywhere in the world.

Mr. CURTIS. The gentlemen from Nebraska gave me the facts and asked me to ask you that question. What part of it is cut off?

Mr. HATHAWAY. No part of it is cut off at the factory.

Mr. CURTIS. The farmer cuts off a part?

Mr. HATHAWAY. Yes, sir; the farmer cuts off a part of it, and he uses that part to feed his stock or to fertilize his ground. It has been found by chemical analysis that three-fourths of the chemical salts that are taken out of the ground by the beet are in the top, and consequently if you fertilize with these tops you are putting back most of the salts that the beet crop takes from the soil. There is very little sugar in the part cut off.

Mr. CURTIS. Now, you say you were not in the hemp-producing districts of the islands?

Mr. HATHAWAY. I was not.

Mr. CURTIS. Do you not think that if there was a change in the production of the sugar, and machinery was imported and great plantations were established there, that there would be an increase in the price of labor there?

Mr. HATHAWAY. Yes, sir; I do. May I say something further on that?

Mr. CURTIS. Certainly.

Mr. HATHAWAY. But the introduction of that kind of machinery would enable you to get three or four times as much sugar with the employment of the same number of laborers as you now get from those laborers.

Mr. CURTIS. That is your opinion.

Mr. HATHAWAY. I know it.

Mr. CURTIS. Now, when you use this machinery and get this increased production, you would also have to import mules and horses instead of using the carabao?

Mr. HATHAWAY. They would probably be obliged to import mules and horses.

Mr. CURTIS. You would also have to have a different class of labor?

Mr. HATHAWAY. A different class?

Mr. CURTIS. Yes.

Mr. HATHAWAY. I do not think so.

Mr. CURTIS. A little better class? Did you not find any improved conditions on the sugar plantations?

Mr. HATHAWAY. Not on the sugar plantations, except at La Granja, where they are paying from 45 to 75 centavos a day. But I would say that nearly every planter I interviewed in Negros complained that the government was paying too high a wage. That was the only place I found the improved condition in that respect, except on the plantation of Domingo, where he was paying 25 centavos.

Mr. CURTIS. Is it not true that where you found this number of ratoon crops—four or five or six ratoon crops—was up where they had new lands?

Mr. HATHAWAY. Those were all points except 2 or 3 miles from the west coast of Negros and in Pampanga.

Mr. CURTIS. Away from the coast?

Mr. HATHAWAY. Yes, sir. You find the ratoon crops, as I specified, except along the strip of 2 or 3 miles wide along the west coast of Negros and in Pampanga.

Mr. CURTIS. You told many of these planters that you were there with the idea of settling and buying land?

Mr. HATHAWAY. I would not say that I told many of them that.

Mr. CURTIS. It was indefinitely so understood?

Mr. HATHAWAY. I do not know whether it was understood or not; I told some definitely.

Mr. CURTIS. I wanted to know how it was understood there. You also stated that one or two of the gentlemen who appeared before our committee did not make the same statements there as they did to you.

Mr. HATHAWAY. I did, sir.

Mr. CURTIS. And one of the gentlemen whose attention was called to it denied that he had made the statement.

Mr. HATHAWAY. Where is there any reference to that?

Mr. CURTIS. I say I think so.

Mr. HATHAWAY. It is not found in your printed proceedings. I do not know where any man ever denied a statement that I said he made to me.

Mr. CLARK. If these carabaos there are so slow what is the reason they do not use mules?

Mr. HATHAWAY. I made an investigation of that, and as near as I remember the proposition as given to me by Commissioner Worcester, about 60 per cent of the mules imported there die from diseases contracted soon after importation, which makes the expense of the first cost on new mules too high for the present planter, and he must content himself with buying the condemned army mules that have been acclimated, and are not quite as efficient as new mules.

Mr. CLARK. What is the matter with the mules' feet over there?

Mr. HATHAWAY. They get lame.

Mr. CLARK. Why do they not shoe them?

Mr. HATHAWAY. I think they do.

Mr. CLARK. What is the cost of a carabao?

Mr. HATHAWAY. I think that would be about \$100. I will ask Mr. Wright if that is not correct.

General WRIGHT. Yes, sir; I think so; \$100.

Mr. HATHAWAY. It is from 150 to 200 pesos for a good carabao.

Mr. NEEDHAM. What is the cost of refining this sugar when it gets here?

Mr. HATHAWAY. It has been stated that the maximum cost was five-eighths of a cent when it gets here.

Mr. NEEDHAM. What is the average selling price for sugar land in the islands?

Mr. HATHAWAY. Of the sugar lands?

Mr. NEEDHAM. Yes.

Mr. HATHAWAY. The highest value I found anywhere put on the land for purposes of taxation in the island of Pampanga was \$40 per acre, No. 2 lands running down to \$18 per acre. In Binalbagan the assessed valuation is as high as \$20 gold per acre, and Mr. Yulo told me he considered it worth more. The land in the upper part of that valley is held at about \$10 per acre.

Mr. NEEDHAM. What did you buy it for?

Mr. HATHAWAY. I had quite an extensive tract offered me at \$5 an acre.

General WRIGHT. How do you account for a man who is making \$100,000 gold a year being willing to part with his land, and also willing to borrow at from 2 to 10 per cent a month on them?

Mr. HATHAWAY. That is a natural question to ask. In the first place, the man who made that amount of money I do not think had to borrow any money at all. He is one of the richest planters in the island, Mr. Yulo. As far as the price of his land is concerned, he fixed it before this committee at about \$100 gold per acre.

General WRIGHT. Yes; but you speak of the entire island of Negros, and what Mr. Yulo can do somebody else can do; and if you can buy land as cheap as that it seems to me it would be a very profitable investment.

Mr. HATHAWAY. I said that this was unimproved land.

General WRIGHT. The improved lands?

Mr. HATHAWAY. When they charge \$40 an acre I thought that was a good price. I think that is the highest valuation on the tax rolls anywhere.

Mr. McCLEARY. Did you buy any of this land?

Mr. HATHAWAY. I did not.

Mr. McCLEARY. Why not?

Mr. HATHAWAY. I did not think it advisable for two reasons, and I so reported.

Mr. BOUTELL. What are those reasons?

Mr. DALZELL. You said that you would give us those reasons before you got through.

Mr. HATHAWAY. Yes, sir. The first reason that I reported to the gentlemen who sent me over there was this, and I will read it to you from my diary:

Before any person embarks in a Philippine industry he should carefully investigate the legal safeguards that would necessarily protect such an investment. In the opinion of many who feel competent to judge on such matters the constitutional safeguards are too few, while altogether too much depends upon the personal integrity of the members of the Philippine Commission.

And I would say that of the Commission at the present time I have the highest respect. The above observation means simply this, that when a man invests in the Philippines it is a permanent investment, and he should look out for the future.

Mr. GROSVENOR. Name the condition that you have described there that does not apply to the purchase and sale of farming land in any State of the Union.

Mr. HATHAWAY. The question of title, first.

Mr. GROSVENOR. Is not that a question that is very important everywhere?

Mr. HATHAWAY. It is more difficult to secure a good title there—unless you buy friar land—than anywhere else I know of.

Mr. GROSVENOR. You can buy land through there?

Mr. HATHAWAY. Friar land; yes.

Mr. GROSVENOR. What is the next difficulty—the integrity of the government?

Mr. HATHAWAY. Yes, sir.

Mr. DALZELL. The constitutional safeguards.

Mr. GROSVENOR. Constitutional safeguards?

Mr. HATHAWAY. Yes, sir.

Mr. GROSVENOR. Is there not some trouble about constitutional safeguards everywhere?

Mr. HATHAWAY. I think so.

Mr. GROSVENOR. Is it not as important to protect property in this country as it is there?

Mr. HATHAWAY. I think so.

Mr. GROSVENOR. The third question is the question of the integrity of the government?

Mr. HATHAWAY. No, sir; I did not say that.

Mr. GROSVENOR. What was it you said about that?

Mr. HATHAWAY. I said that you should carefully investigate the legal safeguards that would necessarily protect such an investment.

Mr. GROSVENOR. The legal safeguards?

Mr. HATHAWAY. Yes, sir. And please notice the word "necessarily." In the opinion of many who seem competent to judge of such matters the constitutional safeguards are too few. As I understand, too much depends upon the personal integrity of the members of the Philippine Commission.

Mr. GROSVENOR. Yes, sir.

Mr. DALZELL. You have another reason there.

Mr. HATHAWAY. That was my first reason. The second reason was not brought out, and I promised Mr. Needham and Mr. Dalzell that I would give it. It is that it would depend somewhat upon the action of this committee and Congress. I wish to read here from my diary again. While at Hongkong, on June 9, I talked with Mr. Merill, the head of the Taikoo Sugar Refining Company, which is the largest sugar refiner in the Orient, and I think, without prejudice, Mr. Merill is the best sugar expert in the Orient. I was with him the larger part of two days. Mr. Merill himself brought up this point, and I did not ask him for it. I believe it will set you gentlemen thinking.

Mr. Merill states that the passage of the proposed law by the United States greatly reducing the tariff on sugars coming from the Philippines to that country, or allowing the same to enter free of duty, would in point of practice force all Philippine sugars to enter the United States. He states that under the terms of the Brussels convention if such a law were passed he, as an English refiner, would be required to pay on refined sugar made from Philippine raws a countervailing duty equivalent to such reduction, provided he sold such refined sugars in territory belonging to a power signatory to the Brussels convention. In his markets this would include English, French, and German China, also English India, or, in other words, all of the leading Asiatic markets. This would practically result in excluding refined sugar made from Philippine raws from all markets in this part of the world and would dump the output of those islands into the United States, the very country that does not need this sugar.

Mr. HILL. I understand that he is against the proposition as an English refiner in Hongkong?

Mr. HATHAWAY. I do not know.

Mr. HILL. Would you not think so?

Mr. HATHAWAY. He was simply telling me what would be the result.

Mr. HILL. Did you not draw that inference as a general inference?

Mr. HATHAWAY. No, sir; I did not.

Mr. HILL. What was the inference that you drew?

Mr. HATHAWAY. I did not draw an inference either way. He has not since the passage of that law reducing the tariff from 100 to 75 per cent bought a pound of Philippine sugar. He indicates this as the result of the countervailing provision of the Brussels convention.

When I came home we submitted the question to one of the best sugar experts in Germany, and he made the same statement that Mr. Merrill made, viz, that under the terms of the Brussels convention we would have a countervailing duty on Philippine sugars in every refining country other than the United States and possibly Japan.

The CHAIRMAN. Under what clause do these gentlemen say that would take place?

Mr. HATHAWAY. Clauses 1, 5, and 7.

The CHAIRMAN. If that is correct, why does not our present reduction of 25 per cent have that result now?

Mr. HATHAWAY. By the terms of the Brussels convention there is a surtax of one-half cent allowed before the countervailing duty shall begin. The surtax by the Brussels convention is $5\frac{1}{2}$ francs on raw sugar on 220 pounds, or 100 kilograms. Five and one-half francs on 220 pounds is half a cent a pound. The countervailing duty shall not obtain until after the reduction in tariff passes the limit of surtax. The Brussels convention treats all raw sugar alike and operates independent of polariscope test. Your present law reduces the tax 42 cents. You have got 8 cents more to go before the countervailing duty will be attached, but having passed the 50-cent mark in reduction the countervailing duty will be applied. You can get a copy of the Brussels convention in the State Department.

The CHAIRMAN. They allow the New Orleans sugar to go into the State of Louisiana free.

Mr. HATHAWAY. Certainly.

The CHAIRMAN. Why does not the Brussels convention regulate that?

Mr. HATHAWAY. The point involved, I think, is simply this: The law which you originally passed applying the whole Dingley tariff to the products coming from the Philippine Islands, and the law which you next passed, saying that the rate should be 75 per cent of the Dingley rates, and the law which you now propose to pass, saying that the tariff shall be 25 per cent of the Dingley rates, all are undoubtedly constitutional, and they establish that, for purposes of taxation, the Philippines are a colony of the United States, and the Brussels convention covers just such cases as that. A similar case has arisen between England and English India.

The CHAIRMAN. Then we will go off into Porto Rico, where the sugar comes in free to the United States, and the status is similar to that in the Philippine Islands.

Mr. HILL. And Hawaii.

Mr. HATHAWAY. Do Porto Rico and Hawaii each have a separate tariff law of their own, like the Philippine Islands, or does the Dingley law apply to imports at Porto Rico and Hawaii the same as in the United States?

The CHAIRMAN. In Porto Rico we have extended the tariff laws of the United States, and in the Philippine Islands we have given them a tariff law by themselves.

Mr. HATHAWAY. Yes, sir.

The CHAIRMAN. Of course we can extend the tariff laws of the United States to the Philippine Islands?

Mr. HATHAWAY. Yes; but you can not do it very well before 1909.

The CHAIRMAN. I do not see how—

Mr. GROSVENOR. Why can we not repeal the Dingley tariff law as it is applicable to the Philippine Islands?

Mr. HATHAWAY. How will it affect our relation to Spain in the treaty which closed the Spanish war, and how also will it affect the fact that there is a separate tariff wall around the Philippine Islands?

Mr. GROSVENOR. It will not affect either one of them.

Mr. HATHAWAY. Either of those propositions continues to establish that this Congress has recognized that for taxation purposes the Philippines are a colony.

Mr. GROSVENOR. Very well.

Mr. HATHAWAY. The Brussels convention looked at it in that way.

Mr. GROSVENOR. Then if we take the tariff entirely away the Brussels convention will not be interfering with our business?

Mr. HATHAWAY. Provided you extend the Dingley tariff around the Philippine Islands.

Mr. GROSVENOR. In regard to everything else except Spain?

Mr. HATHAWAY. That is the point. You can not. Spain is one of the signatory powers to the convention.

Mr. GROSVENOR. But they have not any sugar to bother us with.

Mr. HATHAWAY. They are raising it now; they are beginning to raise it.

Mr. GROSVENOR. Every time a man plants any sugar you begin to tremble. Is that it?

Mr. HATHAWAY. No, sir; I am not trembling in the least, Mr. Grosvenor.

Mr. GROSVENOR. The United States is not one of the signatory powers to the Brussels convention?

Mr. HATHAWAY. No, sir; it is not; and we have no voice in determining its findings.

The CHAIRMAN. If we extend the Dingley law around the Philippine Islands and give the Philippine Islands free trade from the United States, Spain can not complain until she gives the Philippine Islands free trade into Spain.

Mr. HATHAWAY. Very well.

The CHAIRMAN. So that there is no difficulty so far as that matter is concerned—that is, we are satisfied on that thing?

Mr. HATHAWAY. Do the people of the Philippine Islands desire to have the Dingley law extended around those islands?

The CHAIRMAN. That is a matter for us to consider.

Mr. HATHAWAY. Certainly. The gentleman asked me why we did not wish to go into the market under the existing conditions, and I told him that it depended largely on what you were going to do right here, and I and my business associates are hesitating on that very thing.

Mr. McCLEARY. What would be the decision if we should pass this law?

Mr. HATHAWAY. I would not dare to invest in those islands if this law passes.

The CHAIRMAN. If you are going down there, either to get into the islands and invest capital, there is not much danger in this bugaboo you have heard about of the Americans going over there and flooding the country with sugar, is there?

Mr. HATHAWAY. I do not know whether you appreciate this proposition or not, but if the Filipino, whether a native man or an American or an Englishman, going in there to raise raw sugar, finds that he can not market it in any of the world's markets except under the disadvantage of a heavy countervailing duty, and then he brings it to the United States and offers it in the United States where the number of buyers is decidedly limited, those buyers will say to that man who has his raw sugar from the Philippines: "How much can you get for that in the world's market?" "I can get, say, 3 cents a pound, minus the countervailing duty, which I must stand." "Very well, I will pay you, not the price for other American sugar in the American market, but I will pay you a very few cents per 100 pounds above what you can get in the world's market."

Mr. UNDERWOOD. Why should he say that?

Mr. HATHAWAY. He has got the raw sugar market in that way.

Mr. UNDERWOOD. He might say that here.

Mr. HATHAWAY. Does he not say it? There has not been a time in the last ten years when that has not been the situation.

Mr. UNDERWOOD. Why should not the farmer in the Philippine Islands get the price?

Mr. HATHAWAY. On raw sugar?

Mr. UNDERWOOD. Yes.

Mr. HATHAWAY. There is only one producer of raw sugar in the United States, and that is the Louisiana planter. The Louisiana planter never yet has been paid the full price for his sugar.

Mr. McCLEARY. What is the reduction that you would have to suffer on account of the Brussels convention?

Mr. HATHAWAY. About a half a cent a pound.

Mr. McCLEARY. You could lay this sugar down at New York for a cent?

Mr. HATHAWAY. I judge it is about that.

Mr. McCLEARY. And another half cent would pay for this diminution on account of the Brussels convention?

Mr. HATHAWAY. Yes, sir.

Mr. McCLEARY. That would make it $1\frac{1}{2}$ cents that it would cost?

Mr. HATHAWAY. Yes, sir.

Mr. McCLEARY. That is a pretty good profit yet, is it not?

Mr. HATHAWAY. The point is this, that he does not and will not pay the Filipino producer half a cent below the price of American raws, but half a cent below the world's raws, the price of which is not fixed by our high tariff on raw sugar.

Mr. McCLEARY. What is the Hamburg price?

Mr. HATHAWAY. I do not know. I can not give it to you.

Mr. McCLEARY. Could you not approximate it?

Mr. HATHAWAY. No, sir; I can not.

A BYSTANDER. It is 8s. 4d.

Mr. HATHAWAY. It is not the handicap under the American price as fixed by the high protective tariff, but a handicap under the world's price which is fixed without such tariff.

Mr. GROSVENOR. We understand that you would rather go into the Philippine Islands and buy sugar lands under present conditions than under the conditions as they will be under this bill.

Mr. HATHAWAY. That is true.

Mr. GROSVENOR. That is, you think that the business over there will be practically destroyed by this bill?

Mr. HATHAWAY. I would not say that. I say you are putting the Filipino producers at the disadvantage of having to pay that countervailing duty whenever they attempt to market their sugar.

Mr. GROSVENOR. Then you are anxious for their protection?

Mr. HATHAWAY. No, sir; I am not arguing the matter one way or another. One of the members of the committee asked me point blank why we did not wish to invest, and I told you. I submitted this proposition to the best sugar expert in the Orient, and I submitted it to another expert in Germany, and he said, "They will counter-vail against it as sure as the world." I have answered your question.

Mr. GROSVENOR. Has not half of the product that has been exported been sold in Hongkong?

Mr. HATHAWAY. The total Philippine export for the calendar year 1904 was 1,306,000 piculs, of which China and Japan together took 902,000 piculs, a little more than half. There are in Hongkong two distinct sugar markets. The first market is that fixed by the three great refineries which are located there. There are two sugar-refining companies in Hongkong, one called the China Sugar Refining Company (Limited), which has two factories, and the other the Taikoo Sugar Refining Company, which has one factory. The one factory of the latter company has about double the capacity of the two factories of the other. Those people constitute a certain market.

There is, in addition to those people, another market, which is the market for raw sugar to be consumed as raw sugar in the interior of China, which market takes up the most of that which is being sold there at the present time. Bearing on the question of the extent of the raw-sugar market in Hongkong, I inquired of Mr. Merill, and from him obtained this answer:

There is an erroneous impression concerning the increase of the sugar consumption in China. The tendency at the present time is to substitute refined sugar for raw sugar, and statistics as to the consumption of sugar here might lead one astray. The market for the consumption of raw sugar is steadily decreasing, and the demand for raw sugar is being replaced by a demand for refined sugar.

The CHAIRMAN. The refined sugar furnished in the Philippines is furnished by Hongkong?

Mr. HATHAWAY. Yes, sir.

The CHAIRMAN. From these three refineries?

Mr. HATHAWAY. Yes, sir.

The CHAIRMAN. There is also a large market for the raw sugars in Japan?

Mr. HATHAWAY. Not very large. There are only two refineries in Japan.

The CHAIRMAN. The reports say that is an increasing market. Is that an erroneous report, as well as that about the Chinese?

Mr. COLCOCK. Last year Japan took 63,000,000 pounds. In 1905 Japan took 10,000,000 pounds, according to the figures of Col. Clarence R. Edwards, who is now present.

The CHAIRMAN. I think that is correct; but that trade was interrupted by the war with Russia.

Mr. WILLIAM ALDEN SMITH. Did the powers signatory to the Brussels convention impose any countervailing duties against the Cuban sugars by reason of our favoritism?

Mr. HATHAWAY. I can not say definitely, but I understand that they did so, but that they subsequently took them off. I have a statement in regard to that in my trunk at the hotel, but I have not got it here.

Mr. WILLIAM ALDEN SMITH. Do you know what proportion of the Cuban sugar production has gone onto the world's market since the passage of our law?

Mr. HATHAWAY. Either three or four cargoes of Cuban sugars have gone on the world's market since you reduced the tariff 20 per cent.

Mr. WILLIAM ALDEN SMITH. Practically nothing has been sold?

Mr. HATHAWAY. That is the idea.

Mr. WILLIAM ALDEN SMITH. It comes to the United States?

Mr. HATHAWAY. Yes, sir.

Mr. WILLIAM ALDEN SMITH. And would you give the idea that it was because of the countervailing duty, or because of our reduction?

Mr. HATHAWAY. Both.

Mr. McCLEARY. What would be the effect on the sugar-beet industry, the sugar-producing industry of the United States, of the passage of this act?

Mr. HATHAWAY. I consider that it would be the most serious blow you could give us.

Mr. McCLEARY. How?

Mr. HATHAWAY. Because of the ultimate possibilities over there. If you can find any way out of this Brussels convention proposition, the sugar possibilities of the islands are practically unlimited, the wage rate is so small and there is such a vast opportunity for improvement in the methods of agriculture and milling.

Mr. GROSVENOR. Surely that would be a good place to go and buy that land.

Mr. HATHAWAY. If you will keep this tariff rate where it is now, and if you will agree to keep it there for a term of years.

Mr. GROSVENOR. But if we take the tariff off, it will destroy that business?

Mr. HATHAWAY. I do not know.

Mr. WILLIAM ALDEN SMITH. I would not vote for this bill if it was going to send you to the Philippine Islands with your industry.

Mr. NEEDHAM. They will go now unless you do pass it.

Mr. WILLIAM ALDEN SMITH. My idea was that you were contending that if it was kept as it is now your industry would go on and be developed.

Mr. HATHAWAY. Yes, sir.

Mr. WILLIAM ALDEN SMITH. And we would get the benefit of the employment of the labor and of the investment.

Mr. HATHAWAY. That is true. But it is also true that there is an opportunity for development in those islands if things remain in this way here. It gives an opportunity for the development in the islands as well as in this country, provided you do not reduce that tariff so that you drop below the sur tax of $5\frac{1}{2}$ francs for 220 pounds; and when you do that you are dropping into trouble.

Mr. NEEDHAM. Suppose we should have this bill so amended as to provide that all refined sugars should go into the Philippines free—for instance—what effect would that have?

Mr. HATHAWAY. On what? So far as the advantage of this country is concerned it would not amount to anything.

Mr. NEEDHAM. It would be of no advantage to this country at all?

Mr. HATHAWAY. No, sir. Do you want to know why?

Mr. NEEDHAM. Yes; I would like to have you state that.

Mr. HATHAWAY. The Taikoo and the two other refineries at Hongkong are refining sugar there at the present time at a total cost for refining of 60 to 70 cents Mexican per 100 pounds, which is equal to 31 to 37½ cents gold. They are paying their laborers \$5.40 a month gold. They are refining sugar at a little less than one-half what the evidence shows is the cost of refining in this country.

The CHAIRMAN. Does that include the waste?

Mr. HATHAWAY. That includes the total cost.

The CHAIRMAN. The waste?

Mr. HATHAWAY. The general manager of the Taikoo refinery gave me that as the cost of refining sugar.

The CHAIRMAN. I know, but there is a cost of refining sugar and a cost for refining sugar. One might include the work and the waste, and another might include also the wear and tear on the plant and interest on the investment.

Mr. HATHAWAY. I can not answer that question. I am simply giving you the information that he gave me. Now, the point involved is simply this, that the freight from Hongkong to Manila is from 7 to 9 cents a hundred pounds. If you are trying to ship your sugars that is what it will cost you from Hongkong to the Philippines, and the cost of freight from this country is more than that, and the great source of raw sugar, Java, is nearer to Hongkong than it is to this country.

Mr. NEEDHAM. You do not think they would get the market even with that inducement?

Mr. HATHAWAY. No, sir. There has not a single pound of sugar gone there yet.

Mr. GROSVENOR. They can not get our market and we can not get theirs, even if this bill passes.

Mr. COCKRAN. Your idea is that there would be such a production of sugar in the Philippine Islands that it would swamp this market ultimately?

Mr. HATHAWAY. I think so.

Mr. COCKRAN. Then it would benefit the islands—

Mr. HATHAWAY. Provided this Brussels convention does work the other way.

Mr. COCKRAN. Then what would be the result?

Mr. HATHAWAY. It would be a positive detriment to the Philippine Islands, because they would have to meet this countervailing duty. I think, as gentlemen who have the interests of this country at heart, it is well worth your while before you pass any law which makes a remission of duty of more than 5½ francs per 220 pounds for you to take that into consideration.

Mr. COCKRAN. But, waiving the countervailing duty, this measure would be of benefit to the Philippine Islands?

Mr. HATHAWAY. Undoubtedly it would.

Mr. WILLIAM ALDEN SMITH. And a corresponding detriment to ourselves.

Mr. HATHAWAY. Yes, sir.

Mr. COCKRAN. If we were holding the islands for the benefit of the islands alone it would be the obvious thing to do?

Mr. HATHAWAY. Yes, sir; if you were passing legislation solely for the benefit of the islands and irrespective of the effect on this country.

Mr. COCKRAN. If you do not benefit the islands, you are depriving them of that benefit that you could give them?

Mr. HATHAWAY. Yes, sir; provided the countervailing duty were out of the way.

The CHAIRMAN. The cost of raising sugar is like the cost of raising potatoes—it varies with the management of the operation in the same locality; and one man will introduce economies while another man rushes work, and another man may do neither; so that it is pretty hard to give an estimate of the cost of producing sugar, is it not?

Mr. HATHAWAY. I think that is true.

The CHAIRMAN. And is it not true that too many of the gentlemen coming before this committee take, some of them the high cost and some of them the low cost, and trot them out before the committee as fair samples, when it does not give the committee the correct idea? Now, I am reflecting upon nobody, but I am saying that some do that. Of course you do not, but some people do.

Mr. HATHAWAY. I understand. The proposition is this: When it comes to the question of producing sugar on the plantations in Negros, the lowest cost that I have noted in the Iloilo warehouse is $1\frac{1}{2}$ pesos per picul. The highest cost given by any planter is 2.52 pesos per picul. The average price given by me ranges between those limits.

The CHAIRMAN. There is a difference between the production of sugar in the factories in Michigan, and some of them produce it much cheaper than others?

Mr. HATHAWAY. There is not much difference at the present time, the way we are working.

The CHAIRMAN. There is not much difference now, but there has been?

Mr. HATHAWAY. That is true.

The CHAIRMAN. And there is a difference between the cost in Michigan and that in Colorado?

Mr. HATHAWAY. Not very much. I have obtained what I consider the most authentic statements that can be found anywhere. At the factories in Colorado the cost f. o. b. cars at factory is \$3.71 per 100 pounds. I gave you the Michigan cost as \$3.90. That was the minimum cost f. o. b. cars ready for shipment.

The CHAIRMAN. The total cost of refining the sugar?

Mr. HATHAWAY. Yes, sir; that is in the best factories in Michigan at the present time. I have obtained from Colorado the statement that the total cost of refined sugar f. o. b. cars, ready for shipment, is \$3.71 a hundred. Colorado has a freight handicap on Michigan which a trifle offsets the difference in the cost of production, which gives practically the same ultimate cost, whether in Colorado or Michigan. The above cost does not include in either case interest on investment or depreciation of plant.

Mr. GROSVENOR. My recollection is that some expert testified here last year that they were producing sugar in Utah for 1 cent a pound cheaper than you were doing it in Michigan.

Mr. HATHAWAY. I do not remember such testimony.

Mr. GROSVENOR. I am not sure who it was, but I am quite sure that it was so stated.

The CHAIRMAN. I think some gentleman stated that the cost of refining sugar in Colorado was $3\frac{1}{2}$ cents, and at that time you gave your Michigan cost as 4 cents.

Mr. HATHAWAY. Yes, sir; and we have made some improvements in the operation of our factories which enables us to cut down the cost from \$4 to \$3.90 this year.

(Thereupon, at 5 o'clock p. m., the committee adjourned until 10 o'clock a. m. December 14, 1905.)

COMMITTEE ON WAYS AND MEANS,
Thursday, December 14, 1905.

The committee met at 10 o'clock a. m., Hon. Sereno E. Payne in the chair.

Members present: Messrs. Dalzell, Grosvenor, McCleary, Hill, Boutell, Watson, Curtis, Needham, Smith, Williams, Robertson, Clark, Underwood, and the chairman.

STATEMENT OF MR. F. M. HATCH, OF HONOLULU, HAWAII.

(See also page 272.)

Against the bill.

Mr. Chairman, on behalf of the sugar growers of Hawaii, I wish to express their earnest protest against the entire remission of duties which is proposed in this bill in regard to sugar from the Philippine Islands. It appears to us that it is a most serious menace to the prosperity of the Hawaiian Islands, and this is based upon the almost self-evident proposition that this great encouragement which this bill proposes to the Philippine Islands will lead to a development of the sugar industry there to such an extent as will very seriously impair our industry. Hawaii is a part of this country, in a sense in which the Philippine Islands never can be.

We do not begrudge assistance to be extended to the Philippine Islands, but we do earnestly make this suggestion: Can not the desired assistance, to a sufficient extent, be given to the Philippine Islands by something short of the extreme measure which is proposed here in regard to sugar? This is a very serious matter to Hawaii, because Hawaii has but the one crop. It is an unfortunate position for Hawaii to be in, but natural conditions there are such that our development has been on the line of the sugar industry alone. There is no other crop there; no other industry of importance.

The CHAIRMAN. The committee is aware of that.

Mr. HATCH. We stand or fall on the sugar industry. Now, the prosperity of Hawaii can not be a matter of indifference to the committee, and I wish to express the apprehension which is felt in Hawaii that great damage will be done by this extreme measure.

When I have said this, I have said all that can possibly be said. We know that in matters of general policy the local interests of Hawaii have to yield to the interests of the country at large; but it strikes me that in this instance the local interests of Hawaii are very much in harmony with the interests of the whole country.

The CHAIRMAN. You have been enjoying free trade with the United States for about twenty years in Hawaii?

Mr. HATCH. Yes, sir.

Mr. DALZELL. Longer than that.

The CHAIRMAN. For twenty years or more. You have stimulated the sugar industry so that you have gotten up onto the hill lands and the mountains in the cultivation of sugar, and you have taken up all the lands in the Hawaiian Islands to such an extent that you find some places that do not pay. Is that true?

Mr. HATCH. That is true.

The CHAIRMAN. And notwithstanding that, according to the reports of your own association, when sugar was at its lowest, in 1903 and 1904, you made a profit of 7.2 per cent on all the stock as capitalized in all those sugar corporations, did you not?

Mr. HATCH. I am not aware of that fact. (See p. 272.)

The CHAIRMAN. Well, I am. Do you not think that it is a little presumptuous, in view of all these circumstances, for you to come here and attempt to prevent free sugar for the Philippine Islands, especially as you have free entry into the islands for your refined sugar?

Mr. HATCH. We think that it is not presumptuous for us to present our view of the situation, and to tell you how we think we are to be affected by this proposal. We hope that we are mistaken in our apprehension, but we think that it is our right to protest. Almost every family in Hawaii is dependent directly or indirectly on the sugar industry.

The CHAIRMAN. We know that.

Mr. CLARK, of Missouri. Can not they do anything out there but raise sugar?

Mr. HATCH. There is no money there in anything else. We have not been able to get hold of any other industry. Our capital has gone into this industry, as the chairman says, during the last twenty years, and the development has been along these lines. All the capital we could get hold of has gone into it. It is a legitimate business. It has led to very considerable prosperity, and we should be very unwilling to see that prosperity jeopardized.

That is all that I have to say, unless there are some further questions to be asked me.

Mr. CLARK, of Missouri. This has nothing to do with this sugar business, but I want to ask you if there are any more Americans out there now than when those islands were annexed?

Mr. HATCH. I think so.

Mr. CLARK, of Missouri. Any considerable number more?

Mr. HATCH. There was a great increase in mechanics after the annexation, because there was a building boom; but when that was over there was no further increase in that class of population. Many of those who came then returned to the mainland. We have not been able to attract as many farmers as we desire. That is what we need.

Mr. NEEDHAM. Could you tell us the proportion of refined sugar and the proportion of raw sugar shipped from Hawaii?

Mr. HATCH. We have never refined any sugar until just a year ago, when one plantation commenced to refine sugar. That is the very beginning of it.

Mr. NEEDHAM. You ship all your product to the United States, do you?

Mr. HATCH. Yes, sir; the largest part comes to New York.

STATEMENT OF MAJ. AARON GOVE.

(*Against the bill.*)

Major Gove. Mr. Chairman and gentlemen, perhaps it is proper that I should state to the committee in the first place my position and relation to the main issue before you. I was asked early in the year to accept a commission to visit the Philippine Islands with a view of inspecting and determining, as best I might from my own judgment, what were the present conditions of the industry of the growth of sugar and what, perhaps, would be the future outcome of that growth.

My purpose also was quite as largely along educational lines as along the sugar-industry lines. Having been connected with public education during my entire life, I interested myself particularly in the islands in regard to the plan of education in the provinces. My concern in the Philippine Islands was quite as much with the education department as, or more than, with the sugar department.

However, I willingly accepted the commission, and accidentally, without any prearranged plan, met on the ship for the first time a stranger who was before you yesterday, Mr. Hathaway, from whom I learned, after conversation, that our quest was largely identical so far as sugar was concerned, and I was fortunate in having him for a companion during much of the time I was there, the months of June, July, and August, because his expert knowledge of the subject was of great service to me. However, I proceeded along ordinary lines of investigation of a new subject. I found it extremely difficult to obtain information in the Philippine Islands from any one or two or three parties. I found on landing in Manila that I was accorded the most courteous and kindly reception from everybody, from the government, from the army especially, and from the educational department particularly. The information obtained from these three parties was so varied that I was forced to conclude that the final and ultimate parties, namely, the planters themselves, at their homes, were perhaps the most responsible informants that I could get.

First, I would say with regard to the government and government officials in Manila that we have in the Philippine Islands, as the committee knows, one of the most remarkable governments in the world, one of the most successful, and one that is performing an experiment never before known in history. We have been so fortunate in the selection and appointment of a Commission, so absolute in its government, independent of every power on earth except Congress and its own Supreme Court, a Commission which is permitted and which is able to make laws in the evening and to enforce them the next day without recourse, except when Congress vitiates or vetoes or turns

down a law, which Congress has never done. The remarkable progress of that colony is one of the events, in my judgment, in the history of the world. With such a body of men as has been sent there, conscientious, powerful, intelligent, and able, with all that goes with experience and erudition, the Philippine Commission have accomplished and is accomplishing more than any other colonial government in the history of the world, so far as I know; and so long as that condition continues everything is all right.

But I find that the Commission and the government employees, which furnish a large proportion of the intelligent inhabitants of the islands, are in that condition, as you might expect, where anything objectionable occurring, any criticism regarding their work, is viewed with suspicion and immediately receives rebuttal, and immediately receives an expression of disagreement, an expression perhaps of "You are here for the purpose of finding fault with us, and we will have to watch you." I have found that feeling, that sentiment. However, I will repeat again, the courteous treatment received by me from the government of the Philippine Islands, from the Commission and the government employees, was exceedingly happy.

Then again, my army acquaintances and associates, to whom I appealed next, gave me other views of the condition of the country and the agricultural resources, from the standpoint of the soldier. I found the army in the Philippine Islands not altogether—those with whom I mingled—occupying the same position with regard to the government in Manila as the garrison in a fort near one of our cities occupies in this country, and although always remembering the discipline of a soldier, when asked somewhat confidentially what they were doing there the usual reply was—and I had it many times—"We are just sitting here waiting for the Commission to tell us what to do." "What are you doing?" "Nothing." "What do you expect to do?" "Nothing." "How much did you cost last year?" "General Corbin's report says that we cost \$14,000,000 last year, including \$4,000,000 for transportation." But nothing came from any army officer that was disrespectful or harmful.

A third party in the Philippine Islands to whom I looked for information on the purpose of my quest was what is known here as the Filipinos: I believe that the notion of the Filipinos, as represented by those from whom you hear and those who participate in requests and in debates and who make speeches, is true of a very small number of the Filipino people, and that one is likely to get wrong impressions, because there are so few of them. You will notice in your own reports and hearings the same names occurring frequently, and a very limited number of names; the same witnesses, the same men in the sugar business, come before you, who are very well prepared to speak. I should like to say that these people, a very few people, a very few hundred of them, have a very fair education, and they are generally blessed with poetry and imagination.

The Filipino native is a poet from the ground up, and will say the most beautiful things, and will say them in the most beautiful way, and sometimes I seemed to notice that even inaccurate and erroneous expressions are given based upon the virtue of a vivid imagination.

Lastly, the fourth party on whom I depended most before I got through, was the Filipinos themselves at their own homes. I soon

learned that the best information would be gathered not from the town, but from the country, and I spent most of the time for from two to three months in the provinces between the natives in their homes, always seeking for a sugar plantation, and with the sugar planters, and with the laborers who worked on the sugar plantations I learned what I may be able to state to you, the condition of labor in the Philippine Islands about which something has been said which may well be repeated, learned by actual contact. The most I have to say this morning verifies to a very great extent the figures and facts that were presented to you yesterday.

While my companion was with me, as he intimated, the day's work was carefully reviewed every evening, and the facts and incidents and conversations committed to the written page immediately, which written page he now preserves for reference, for your information. I think perhaps errors may arise in speaking of the pay of the laborer in the Philippine Islands. My impression is that he receives no pay; that he handles no money; that he has his living and that is all. And I believe that is all that he wants at present. In the latter part of my stay there I sought for an interview, having made a pleasant acquaintance with a native Filipino, with eight years' residence in Europe, born in Pampanga Province. Through him I asked if I might be permitted to go into the back country and interview a Filipino laborer on a sugar plantation, who was born there, whose father and mother were born there, and whose grandfather was born there. He told me it would be very easy to do that, and accomplished his purpose by making an appointment with me in Pampanga with three men of this character.

I will take time to tell you of one of the first interviews. This man was 60 years old, a fine specimen of a human animal, with a clear eye, a beautiful face, an erect form. He had been married twice. His first wife was dead, and left him with four children, the youngest of whom was now 25 years old. Those four children were laborers, and were prosperous and happy, as he believed. He married again, a widow with one daughter, by whom he had a second daughter. His family now consists of his wife and two daughters. He had lived where he was living for thirty years, working for the same landlord.

I said to him, "What are you doing?" "I am raising rice and sugar." "How much rice and how much sugar land are you using?" "I am working on 5 acres of rice and 10 acres of sugar." "You have been doing that all these thirty years?" "Yes, sir." "How much pay do you get?" "For my rice I get half." "Do you get half?" "I think I do. I don't know whether I get more or less, but I get all I want. I get all the rice my family needs, and I am satisfied." "How do you get the pay for your sugar; do you get the half sugar in payment?" Yes; he said he supposed he did, but he didn't get his pay in sugar, but in money. "Do you get your full pay for your year's crop in money?" "I don't know whether I do or not. I get all I need. I have all that is necessary, and that is all I want." "How much money did you ever have in any year of your life that you can remember, real money in your hand; how much money have you ever in one year handled?" After a few minutes' hesitation, he believed that he remembered that one year he

had 10 pesos—\$5. “ You never in any one year had more money than that? ” “ No, sir; I never; I don’t very often have that.” “ What did you do with all that money? ”

The district treasurer of the province listened to the conversation and seemed to be surprised, while my interpreter was not surprised. The interpreter had been, by the way, secretary to Aguinaldo in the earlier years, and was now working for himself in the provinces. “ What did you do with that money? Did you spend it on cock-fights? ” He said, “ No, sir; I do not indulge in cockfights; ” and the interpreter told me that that was true; that the man did not participate in cockfights. “ What did you do with the money? ” “ I spent it on my family.” “ What do you own? ” He said that he did not know that he owned anything. He looked at the chickens, and he said: “ Yes; I think these chickens are mine.” “ Do you own the house in which you have lived for thirty years? ” He thought he did. “ How do you know you own it? ” “ I do not know that I own it, but I paid a tax of 15 centavos in 1902 on this place.” I found that to be verified when I looked at the books of the district treasurer at San Fernando. After that he had paid no tax, because in the earlier days of the land tax they had regulations which they found quite too severe, and after that they did not presume to collect a tax as small as that. I asked him if he owned the land on which the house was. He said he thought he did. “ How do you know? ” “ I do not know.” “ Could you move away from here, if you chose, and go some other place? ” “ Yes; I could, because I owe the landlord nothing? ” “ How do you know you owe the landlord nothing? ” “ Because he has never spoken to me about it, and I know he is fond of me and would like to have me stay here.”

After more extended conversation than I have related to you, I asked him: “ How would you like to have 10 acres of land—2 hectares—of your own, to plow and to plant it and to reap and sell the crop just as you please, and be all by yourself? ” And the man said he would not like to do that. He said: “ Why should I do that? I have all I want, and my father had all he wanted. We are living comfortably; we have all we need to eat, because we have all the rice we want, and we have all the clothes we need, and if there is anything more we want all we have to do is to ask for it.” He had on a clean, pretty nice, white shirt. He didn’t have on much else. I asked him: “ Where did you get that shirt? ” He got it from the landlord, and it developed that that shirt had been given to him as a hand-me-down. I asked him: “ How much did you give for it? ” “ I don’t know.” “ It is charged up to you, I suppose? ” “ Yes, sir.”

That man I am telling you about was a beautiful character, clean in every way, as I learned, in other ways a fine man, and as intelligent as it was possible for a human being to be who had never been 5 miles from home in his life and never expected to be and never wanted to be, and had no desire in the world except to live—no ambition to own anything. That man represents the laborers of the province of Pampanga. I talked to two others. One was 35 and the other 32 years old. In the province of Pampanga, as I learned later, the natives have a very much more attractive appearance than in Negros, where I spent much more time. However, in Negros the condition is the same, only more so. The men are not paid in money;

they are paid in kind. I was told by Juan Araneta, whose name is often mentioned here, and who is an eminent gentleman in that country, that he thought he had about a thousand people around about him, and when asked if any of them ever left him he said, "No, they never leave me unless I drive them away. If one behaves badly I make him go, but they usually come back and beg to have me retain them." He told me how much he paid the laborers, and he also told me, in the presence of Representative Hill, how much he paid them, when we met him in the grand city hall in Manila. It is no reflection upon the man, because he is a poet, to say that the accounts were not quite the same. They did not quite agree.

Mr. HILL. About double, was it not, when we were together?

Major Gove. Well, it was more. Wherever I was in Negros and Panay, and I traveled in Panay some 150 miles in the interior and then all along the Negros country about which you were told yesterday, my chief entertainment was with the American school-teacher. The American school-teacher I found to be the chief manager in the village always, and that American man teaching school really was more powerful in that valley or in the village than the padre. He was more powerful and more influential, and was the man who held the lines and to whom we must look always for the improvement over there, I believe.

The figures that have been given you with regard to the production of sugar I wish to verify, without going into unnecessary detail. The figures in many cases were given in my presence. The statement of the conduct of producing sugar can not be too heavily emphasized. There is no plowing except on the government farm. The ground is scratched and tickled for 2 or 3 inches. We would hardly call that plowing in this country. There is very poor tilling, and, as you have been told, when the cane is planted that is all that is necessary except to tickle between the rows two or three times during the season, and then cut off the harvest. The next year not even the expense of plowing pertains to the growing of the crop. When asked by my own people on my return what in my judgment was the prospect for the future of the sugar product in the Philippine Islands, I was obliged to say that the amount of the output in the future is truly incalculable; that the statement of the Secretary of War early in this work that the Philippine Archipelago can produce many times more sugar than the world can consume is verified by my inspection; and the knowledge I obtained there was that thousands, and even millions, of acres of land, arable land, stand ready for the plow, not even to be cleared of the cogon grass or timber, most of it.

All that is necessary is for a man to go to work, having the proper tools, and turn the soil and raise the crop, with an incalculable output from that crop. I have no doubt that Java ultimately will be second to the islands in the production of sugar. I have no doubt of the ability of the American, or any other exploiter, to go to the Philippine Islands with money and proceed to raise sugar, from which he would begin to get returns surely within four years and possibly within three years, and an immense crop in five or six years. Fertilization was never known there, so far as I could learn, and irrigation, so essential to a sure crop in any country, and particularly there, can be introduced at very little expense. Most of the plantations on

the island of Negros, Occidental Negros, lie in an inclined valley, inclined toward the sea, the water being abundant in streams and rivers from 10 to 20 miles apart, and it is certain that irrigation on the island of Negros will be ever so much easier and more possible than irrigation in my own State—Colorado—where it costs so much money to do the irrigating. Then with plowing and fertilization and with irrigation, I conclude my statement again, that the output for the future of sugar in the Philippine Islands is incalculable; beyond the comprehension, almost, of any man.

I know of no power that can stop it. The province of Pampanga commenced the raising of sugar one hundred years ago; there was no sugar production of any great account much more than fifty years ago. Sixty years ago a Chinaman, who is now living and very rich, went from Panay across to Iloilo and planted sugar cane, and those worn-out lands which constitute that little strip of about 1 to 3 miles wide along the western shore of Occidental Negros have been cropped for fifty years regularly without other attention except the cropping. This old Chinaman is still living and is very wealthy, and enjoys what he is enjoying both in money and situation from his early enterprise in his youth in starting those sugar plantations. Only in the last fifty years has the sugar amounted to much; they have had nothing to help them only this primitive farming which we know so well. If that can be accomplished in fifty years under those circumstances, I believe that I have a right to conclude that with these added instrumentalities the production of the Philippines in sugar can not be estimated by man. I shall be glad to be prompted now by questions.

Mr. CURTIS. Who was your interpreter on the island of Negros?

Major Gove. We had various men as interpreters.

Mr. CURTIS. You had an interpreter by the name of Nolan?

Major Gove. I do not know him; I never met him.

Mr. CURTIS. He was interpreter for Mr. Hathaway?

Major Gove. I do not know; I never knew him.

Mr. CURTIS. You stated that you had looked into the labor question in the island of Negros and it was worse than on the other islands?

Major Gove. I do not know whether I used the word "worse" or not. It was lower; not of such high character.

Mr. CURTIS. Is it true that it is hard for them to get enough labor in the island of Negros to run their plantations?

Major Gove. In a few places. Some planters told me that they occasionally went to the northeast coast of Panay and got boat loads of workmen to help them, but it was not a paying proposition usually.

Mr. CURTIS. Is it true that they have to pay those men about 30 cents a day in gold?

Major Gove. I do not know.

The CHAIRMAN. Do I understand you to say that this man of whom you have given us this little biographical sketch is a fair representative of the laborers there on the sugar plantations?

Major Gove. In Pampanga?

The CHAIRMAN. In that province.

Major Gove. Yes, sir; he lived 5 miles from San Fernando.

The CHAIRMAN. If that was the class of laborers they can get on

those plantations, it would look like this grand development that you look for was almost hopeless, would it not—if that man was a fair example, a man with no ambition, who did not care for getting anything but what he ate and a few dollars a year? It would look like the situation for development was pretty much hopeless, would it not, unless they can get those men to work?

Major Gove. I do not understand that that is the purpose of the United States, to hold the colony of the Philippines where they are now. I understand we are spending money for the purpose of teaching them and creating the desire. That man's children are in school. Those children's children will be at school. When they get to school and have the desire for something, it will probably come. In these early days of talking about our position we seem to have undertaken to civilize those people from the outside. But you never can文明 a human being by teaching him to wear a hat or to wear stockings. The civilization must be from the inside and work out, and the motive must be planted in the younger people or we have little hope of the development to-day. The younger people will grow into it if we succeed.

The CHAIRMAN. You have hope of elevating these people and kindling in them some ambition by means of the schools?

Major Gove. Yes, sir.

The CHAIRMAN. I agree with you on that. That is a great common point that we can go on from. Now, in addition to that, do you not think that the government should do its duty by giving them some opportunity for material development and a chance to get the rewards of their labor?

Major Gove. Yes, sir; when they want it.

The CHAIRMAN. When they want it? Is it not a thing that is apt to produce a want, a desire in that respect; and if the laws are so framed and the encouragement is so given that that will help to produce the desire?

Major Gove. Not at present.

The CHAIRMAN. How is that?

Major Gove. Not at present.

The CHAIRMAN. Now, a very careful observer in the Philippine Islands, who has been there and who had more opportunities than you or I had, an American living right among the people, says that if we can secure to these men the results of their labor, so that instead of getting 5 or 6 pesos they will get what they actually earn, the people will do the work. Of course they will not do as much as a white man or as much as an American, but they will do a fair man's work if they get the rewards of their labor. If we hold those islands—and there does not seem to be any question about that—and it is our desire to develop the ambition of those people, is it not our duty to do something to encourage them and put them on the basis of other people that are under our jurisdiction? I am not speaking from an economical standpoint, but from the standpoint of ethics. You have been a school-teacher and are familiar with such ideas and have been all your life. Do you not think that it is our duty to treat them in that way? I did not mean to cut you off in your answer.

Major Gove. I make a distinction between what is our duty and the method in which our duty shall be performed.

The CHAIRMAN. Yes.

Major GOVE. We agree that it is our duty to take every possible measure for improving those poor miserable human animals over there. I insist that it is too soon to undertake to elevate that people by these measures we are taking now; that we must wait; that it must take time; that the adult population of the Philippine Islands to-day will never be moved. And so far as laws are concerned, the great mass of the Filipinos know nothing and care nothing about laws. They do not know anything about law. They are in the mental condition of a 6-year old child; and it must take ten or twenty or twenty-five years before the younger people have been aroused to the realization of life, and where they live; and that will not accomplish it. Their children must accomplish it.

The CHAIRMAN. You would put off this legislation for twenty or twenty-five years; is that the idea?

Major GOVE. What legislation?

The CHAIRMAN. Giving them the same advantages under our revenue laws as other people have.

Major GOVE. I would put off all legislation except that which would be of immediate or fairly immediate assistance to the Filipino people.

The CHAIRMAN. The schools are fairly successful, are they not?

Major GOVE. The schools are the first thing to-day.

The CHAIRMAN. They are fairly successful?

Major GOVE. Yes, sir.

The CHAIRMAN. And the young people are learning eagerly?

Major GOVE. Yes, sir. However, that is an experiment. They are learning those things which pertain to imitation.

The CHAIRMAN. Of course, one who has been there for several years would have better opportunities for judging of these matters than one who was there only for a few days?

Major GOVE. Yes, sir.

The CHAIRMAN. And you would have more confidence in the judgment of such a man?

Major GOVE. Yes, sir.

The CHAIRMAN. The Manila training schools are successful?

Major GOVE. Yes, sir.

The CHAIRMAN. And is it not true that the adults are anxious to go to school?

Major GOVE. Yes, sir.

The CHAIRMAN. And they are making fair progress; the adults are making fair progress in the schools?

Major GOVE. Not very fair; no, sir.

The CHAIRMAN. In the night schools?

Major GOVE. They are usually not 20 years old.

Mr. CURTIS. There are over 10,000 young men over 21 years of age attending the schools in Iloilo and in the other islands of the Philippine Islands.

Major GOVE. Yes, sir; I have seen them and spoken to them all.

Mr. CURTIS. The 10,000?

Major GOVE. Not so many. I never passed a schoolhouse and never allowed a school to come within reach of me without going into it and all around it and climbing upon it and asking questions of the scholars.

The CHAIRMAN. Were you in Manila when the Taft party was there?

Major Gove. I reached Manila from my summer tour about the time that your party reached Manila, and I remained in Manila while you were on your way about. I enjoyed very much the execution of the most beautiful, tactful, and instructive schemes about which I have ever read, and I wish very much that I could have been one of the party to go about and touch the high places and have every bit of money possible appropriated to my entertainment, and study the people and have them present—which was perfectly right and good—the very best possible thing they had at every point.

The CHAIRMAN. When you were present at these hearings you did not give us the benefit of your observations on your tour, which would have helped us, you know, in our investigations.

Major Gove. My dear sir, I want to remind you that those hearings were so unsatisfactory to me that I was completely unhorsed. I was surprised at the utterances of those people, and I feared that I had been misled, and that I myself was in error as to what I had observed in the provinces, because the stories were so different, as I said to the honorable Secretary at the time, that I begged to be excused until I had the opportunity of digesting some of those things on the one side which were so different from those things that I had seen on the other side.

The CHAIRMAN. Now, you had had the benefit of your whole tour, and your excuse for not making a statement then was that you were unsettled in your mind and not prepared to make any observation; but you have braced up your views since then?

Major Gove. I have had ample time to study and mix with my fellow-citizens and appreciate the condition of my neighbors in the arid West and to learn how anxious they are to learn about the production of sugar in the Philippine Islands.

The CHAIRMAN. You had to do that before you could make any statement before the people who are to legislate upon the subject?

Major Gove. I would not put it that way, exactly.

The CHAIRMAN. Of course you are not an expert on sugar?

Major Gove. No, sir; I do not use it, and I prefer to drink my coffee without it.

The CHAIRMAN. And what you learned was from personal intercourse with these Filipino people?

Major Gove. I have lived with them. I have eaten with them as far as I could. I have slept with them—on the floor.

The CHAIRMAN. And drank with them, I suppose, the water which they presented?

Major Gove. No, sir; I did not.

The CHAIRMAN. You did not?

Major Gove. No, sir; I carried bottles of water with me.

The CHAIRMAN. That is fortunate, perhaps, or you might not have been here to-day. It came very near destroying the usefulness of Mr. Hathaway when he was there.

Mr. CLARK. Suppose you educate all these Filipinos; then who is going to raise the sugar? Do you think you can get an educated man to work over there in the sugar fields?

Major Gove. All I need to get some one to raise the sugar is a dollar in my hand.

Mr. CLARK. After you get them educated do you think you can get them to work in the sugar fields?

Major Gove. If I have the money I can get the labor.

Mr. CLARK. Where are you going to get the labor?

Major Gove. The Orient is full of it.

Mr. CLARK. Is it to the interest of the Filipinos and the American people to introduce another cheap set of fellows in there, then, to be educated, from somewhere else? Suppose you get them all educated; they will not work in the sugar fields; that is dead certain.

Major Gove. That is not what I mean by education; not book knowledge. In my conference with the minister of public instruction, General Smith, and the superintendent, Dr. David Barrows, they have made me understand—and I agree with their views and they agree with my views—that education in the Philippines does not mean education in geometry and algebra and other branches of polite learning.

We will teach those people first to work with their hands. They are already being taught to do work with their hands in the shops. Two thousand of them are doing good work at Cavite. They built the improvements at Manila Harbor without much trouble after they found out how to manage the Filipinos, and also the railroad. Those people will learn how to work. But a man would not give 15 cents for \$5 unless he knows what to do with the \$5; and they do not know what \$5 is. They have a cedular tax, and many of them never handled or looked at a dollar and do not know what a dollar is. I sat in the window one day with a boy about 15 years old, and who was just learning how to read and write, and I said, "Look out of this window, and write on this paper everything which you can see here which is good to eat." He wrote for ten or fifteen minutes, and he gave me a list of 45 articles which he could see or think of, looking out of that window, which that country grew for the people to eat, and only seven of them required cooking.

So that when the old fellow in Pampanga said "I do not have to work, because I get all I want to eat," that is the condition of the adult to-day. The children will come home from school, and they will say "Papa, this is not the way to cook this rice;" or a boy will say, "I can raise a half a ton more of sugar on this plantation, and I want to tell you how;" and that is the education I mean when I speak of education in the Philippines.

The CHAIRMAN. All those schools are teaching that kind of thing?

Major Gove. They are going to.

The CHAIRMAN. When are they going to begin?

Major Gove. I do not know.

The CHAIRMAN. What are they learning?

Major Gove. Just to read and pronounce the English language and little calculations. Do you know that the white Filipino has no power of calculation, and there is nobody over there handling or trading goods except Chinamen? The Filipino has no calculating ability and can not keep his own accounts.

The CHAIRMAN. The Filipinos are acting as street-car conductors.

Major Gove. They are gaining.

The CHAIRMAN. They are gaining?

Major Gove. Yes; they are improving.

The CHAIRMAN. Certainly they are improving. People can not

learn everything at once. They learn the English language. That is an advance. That brings them together, and they can communicate with each other, and they get some money. I think it would be an excellent thing if we should establish a system of savings banks. I understand the savings bank in Manila has been very successful the short time that it has been established. I think it would be a good idea if we should establish savings banks, so that they can have a little money in the bank for a rainy day. It will take them years to get a sugar industry there that amounts to anything, and this would benefit them in other ways. It is a slow process, the issue of which is well in the future, and you need not be alarmed about any competition that will come from that industry.

Major GOVE. With the average enterprise of the American as I know him, and with the million that is behind him, as some of them have nowadays, it will not take very long to make immense and productive sugar plantations.

The CHAIRMAN. It took twenty years in Hawaii.

Mr. WILLIAMS. On this question of education, is it true, as I have read, that we are attempting to teach the Filipino children altogether in English?

Major GOVE. Yes, sir.

Mr. WILLIAMS. They take the Filipino children and start in to teach them their arithmetic, and how to read and how to spell in English. Is that the case?

Major GOVE. Yes, sir.

Mr. WILLIAMS. Give us your opinion of that course. It is a little unprecedented.

Major GOVE. It seems to be necessary, because the people of very few provinces are able to converse and talk with each other understandingly. The young people of Iloilo would fail of being understood—the servants and common people—by the people of Manila. The dialects are so different that a conversation in good Spanish fails to be understood in Iloilo or Manila or Bacolod by anybody but a Spaniard.

Mr. WILLIAMS. But there is a dialect which the Jolo child understands and one which the Manila child understands?

Major GOVE. Yes, sir.

Mr. WILLIAMS. Why could they not be taught in that language?

Mr. CURTIS. There is no common language.

Mr. WILLIAMS. But the child of Jolo speaks Jolo and the child of Manila speaks Manila, and why should they not be allowed to learn in their own language, instead of being compelled to learn a different language before they can learn how to multiply and add and divide?

Major GOVE. We have 2,000 Filipino teachers and 1,000 American teachers. The American teachers are teaching the Filipino teachers. Those Filipino teachers are teaching little schools—who six years ago could not speak or read English. I have been in a barrio 75 miles from Iloilo where a white man was not supposed to be anywhere near, except he was a member of the constabulary or a government employee, and I could not make the natives understand me, could not even get an answer to a question, and a little child 12 years old came along and spoke to me in English. The power of acquisition of these children is wonderful. I doubt whether it indicates any great mental power, but the power of imitation of those children is remarkable. For that reason I think they will do well in working in shops with their hands.

I think it will be impossible to teach the dialects in the schools, to say nothing about its use in the courts.

Mr. WILLIAMS. I am not criticising teaching them English. Undoubtedly they should be taught English if we are to have anything to do with them, but I am trying to get at the reason for teaching them arithmetic in English, for instance, instead of in their own tongue.

Mr. CURTIS. Is it not true that the parents want them taught in one common language?

Major GOVE. I am trying to intimate that what the parents want is not worthy of the consideration of anybody. They do not know what they want.

Mr. CURTIS. We found some pretty bright parents there.

Major GOVE. You did. You touched the high places.

Mr. CURTIS. They want a common language, and they complain about Spain because Spain never allowed them to have a common language.

Mr. HILL. You said the hearings at Manila were not exactly satisfactory to you, and for that reason you did not see fit at that time to participate in them when you were asked to do so. Those hearings were held in the city hall, were they not?

Major GOVE. Yes, sir.

Mr. HILL. In the presence of a very large company of people?

Major GOVE. I do not know how many.

Mr. HILL. I say it was a large place—large enough so that anybody could come in?

Major GOVE. Yes, sir.

Mr. HILL. As a rule 500 to 1,000 people were present most of the time. Is that not so? The audience room was filled?

Major GOVE. There were many people there.

Mr. HILL. That audience consisted of the governors of all the provinces, in part, and merchants from all over the island?

Major GOVE. I do not know to what extent that is true.

Mr. HILL. To a general extent they were. You know that such were present during the hearings.

Major GOVE. Probably you know more about that than I do.

Mr. HILL. The statements made there differed materially from the information that had been given to you and Mr. Hathaway while you were going around the islands?

Major GOVE. I did not say materially; they differed.

Mr. HILL. I think Mr. Hathaway quoted yesterday the figures on wages given to him by Mr. Arenata. Do you remember the incident of you and myself differing as to the wages paid in the islands, as we came out of the hall one day, and we met Señor Arenata and jokingly I asked him what wages he paid?

Major GOVE. Yes.

Mr. HILL. And he gave us the figures. Did the figures he gave us correspond with what he had told you as to the wages he paid?

Major GOVE. No, sir.

Mr. HILL. How much was the difference?

Major GOVE. I do not remember.

Mr. HILL. Fully half?

Major GOVE. I don't remember; probably.

Mr. HILL. Fully as much as the wages stated by gentlemen in the hearings which surprised you?

Major Gove. I do not remember exactly; I think so.

Mr. HILL. I want to read this from the hearings and ask you about it. On page 181 of the hearings Mr. Ricardo A. Nolan makes this statement:

Yes: I was here at constabulary headquarters, and at the suggestion of Captain Smith I acted as interpreter for Mr. Hathaway with the governor and with Mr. Anieeto and Mr. Mariano Lacson.

Mr. Lacson is the largest sugar planter in Negros, is he not?

Major Gove. I know him.

Mr. HILL (reading):

He was trying to get the governor to fix a figure at which sugar could be produced, and when he could not give him what he wanted he said, "Now, look here, governor, suppose a hacendero has all kinds of cattle and all kinds of machinery and everything else, what will a picul of sugar cost?" and Governor Jayme said, "About 2 pesos;" but he said—and I was acting interpreter for him—that he had never produced any sugar and was only giving his opinion. Mr. Hathaway made everyone believe with whom he spoke that he was here to improve the situation in Negros, and that he was ready to build a big sugar refinery, and everybody helped him because we need a sugar refinery here.

Is that correct?

Major Gove. I do not know.

Mr. HILL. You were with Mr. Hathaway, were you not, during the trip through the islands?

Major Gove. I will tell you; it is an interesting incident. I started from Bacalod with Mr. Hathaway and the lawyer with him—

Mr. HILL. Just a minute. You were with him, were you not?

Major Gove. Yes, sir.

Mr. HILL. Is this statement correct as to the time you were with him?

Major Gove. I was not with him all the time.

Mr. HILL. During the time you were with him did you hear him make such statements?

Major Gove. I never heard anything of the kind. I would like to tell the incident, because it is funny to you—I know it is. We started from Bacolod. I was behind a pair of horses that I had to get out and push, and one of the others was on a carabao, I believe. We stopped at this man's establishment. It was one of the finest mills that I saw over there. We went into the house and were politely received by two daughters of the gentleman, and I sat there for two hours and a half and the father did not come, but they entertained us by playing and singing. Finally I said, "I do not propose to stay here any longer," and I started to the north, to Bacolod. At Bacolod this man Lacson, or whatever his name is, came down to Bacolod to say, as Mr. Hathaway told me, that he was very sorry about the day before, but that we came while he was at his siesta, and he did not allow himself to be disturbed at his siesta for anything, and when he got up we had just gone. And Mr. Hathaway wanted to know whether I wanted to go and see him, and I said, "No; he will have to come where I am if I see him." That is the time that that interview took place, I suppose.

Mr. HILL. You have stated that the possibilities of the Philippine Islands are illimitable; but under the conditions that exist among

those people, the lack of draft animals and all that, the tendency is rather to a decrease in production than an increase, is it not?

Major GOVE. Yes, sir.

Mr. HILL. Do you believe it is possible to change those conditions in anything like a generation?

Major GOVE. Yes, sir.

Mr. HILL. By education?

Major GOVE. I would change those conditions by sending some money over there.

Mr. HILL. Do you mean for this Government to send money?

Major GOVE. This Government or anyone else.

Mr. HILL. Do you believe there is any attraction for anyone else to do it under existing conditions?

Major GOVE. Yes, sir.

Mr. HILL. Would you recommend it, and did you recommend it to your people, when you came back, to make investments there?

Major GOVE. My people never talked to me on that. When I went over there I did not know why I was going. Only one sentence was pronounced to me when I left this country. They said: "Mr. Gove, go over there and find out the truth and tell it to us." I did not know that there was any financial interest in sugar.

Mr. HILL. Did you know that Mr. Hathaway was going over there?

Major GOVE. No, sir.

Mr. HILL. You did not expect to meet him there?

Major GOVE. No, sir.

Mr. HILL. Do you think that the Philippine Islands as they stand to-day in their production of sugar or tobacco, or either one, are anything of a menace to any American industry?

Major GOVE. I think they are the greatest menace that was ever held over us.

Mr. HILL. As they stand to-day?

Major GOVE. No menace; no harm to-day.

Mr. HILL. Do you believe it possible to develop them without contract cooly labor?

Mr. Gove. Yes, sir.

Mr. HILL. With the population that is there now?

Major GOVE. Yes, sir.

Mr. HILL. How long a time would it take before you could get a practical change of conditions?

Major GOVE. On the railroad and at Manila and at Cavite I should say those in doubt could be put to work in eighteen months; millions of them could be put to work in two years.

Mr. HILL. Have you considered at all the available area on the island in your consideration of the possibilities as to the cultivation of sugar?

Major GOVE. I have read a report of the department of agriculture there. I think it is there stated that the sugar lands amount to 8,000,000 acres.

Mr. HILL. The census report of the Philippine Islands gives the entire surface of the islands to be 9 per cent of that area, with only about 4 per cent now cultivated.

Major GOVE. I have read more than once that there are probably 30,000,000 acres of available lands in the Philippine Islands.

Mr. HILL. Have you any idea that the cultivation of sugar is about to crowd out the cultivation of hemp in the proportion of four to one?

Major GOVE. I do not know anything about hemp.

Mr. HILL. Or tobacco either?

Major GOVE. About tobacco, I will have to ask you.

Mr. HILL. Did you find any tobacco in cultivation in the Visayas or anywhere else?

Major GOVE. No, sir; I would not have known it if I had seen it.

Mr. CLARK (addressing Mr. Hill). I would like to ask you, for information, is there not any way of finding out how much land there is over there available for hemp and how much for tobacco and how much for sugar? You keep on talking about the whole thing being illimitable. I don't believe it.

The CHAIRMAN. How much is under cultivation?

Mr. CLARK. No, sir; how much can be put under cultivation.

The CHAIRMAN. That is left to the fruitful imagination of every gentleman that visits the islands.

Mr. CLARK. It looks to me as though there should be some one somewhere who knows the actual available area for that purpose.

Major GOVE. I believe Commissioner Worcester's statement, which was read to you yesterday, as to the island of Mindoro gives you more than that. If I was permitted to make a plea at the proper time, the plea would be, if you have any money to send over there from the United States Government send it, and a large portion of it should be for the department of education of the Philippine Islands.

Mr. HILL. Why is it necessary, if there is such an enormous area of sugar lands? Why does not the natural desire of the human mind for money prompt people to go over there and develop it? Have you seen any American who has made a success at all of it? You did see Americans who were engaged in the sugar plantations there, did you not?

Major GOVE. No, sir.

Mr. HILL. Not one?

Major GOVE. Except Mr. Rothrock.

Mr. HILL. Did he make a success of it?

Major GOVE. Yes, sir.

Mr. HILL. Where was he, in Negros?

Major GOVE. In Ililo. His plantations are in Negros.

Mr. HILL. You did not see any others?

Major GOVE. Except our old friend Sergeant Heil, on the government plantation.

Mr. HILL. He was not conducting operations on his individual account, was he?

Major GOVE. No, sir.

Mr. HILL. He was working for the government?

Major GOVE. Yes, sir. I found a man whose acquaintance I very pleasantly made, who has a concession for timber on Negros, who told me that he was working 100 Filipinos at his sawmill, and is increasing that all the time. But that is far away.

Mr. HILL. I want to ask you this one question—you know that I have confidence in your judgment: Do you not think it is a work of wonderful patience for the United States Government to help and

educate those people and lift them up, and that with all we can do the progress will be very, very slow? Do you not believe that?

Major GOVE. Yes, sir.

The CHAIRMAN. You spoke about the Filipinos learning to work. Take, for instance, the navy-yard there at Cavite.

Major GOVE. Yes, sir.

The CHAIRMAN. Is it not true that the wages have advanced there under American occupation from about 20 cents a day to 65 cents a day?

Major GOVE. Yes, sir.

The CHAIRMAN. So that the more efficient they become the more they charge, and the more they get the more their desires increase?

Major GOVE. Yes, sir.

The CHAIRMAN. They have the same feeling in that regard as other people in other parts of the world?

Major GOVE. Yes, sir.

The CHAIRMAN. If the industry becomes prosperous their wages correspondingly advance. Is not that true?

Major GOVE. Yes, sir.

The CHAIRMAN. And that is also true in regard to the hemp region, is it not?

Major GOVE. I do not know anything about that. I want to interject this, though, that the character of the workmen at Cavite is of a much higher order than the character of the average citizen of the archipelago. They have lived about the town. It is very unfortunate that so much information is credited to Manila, where the conditions are not the normal conditions in the Philippine Islands.

The CHAIRMAN. I understand, on the contrary, that those men were picked up promiscuously, the same as the laborers on the government works under the employ of White & Co., moving their families in, and taking anyone they could get, and as they become more efficient and proficient they get their wages advanced. Then the men in the Bilibid prison, when they come out, demand and receive higher wages; and as their effectiveness for labor increases their wages have to increase. Is not that true of your observation of those men?

Major GOVE. I did not go out there. Mr. Patterson told me all about that. I did not go to Cavite. There was no sugar plantation at Cavite.

The CHAIRMAN. You were looking after educational interests as well as sugar interests?

Major GOVE. Yes, sir.

The CHAIRMAN. And there were some educational interests there, were there not?

Major GOVE. Yes, sir.

Mr. McCLEARY. When you came back did you recommend to those who sent you an investment of capital in the islands for productive purposes?

Major GOVE. No, sir; that subject was never referred to in my presence. I tried to say that nothing concerning finances was ever mentioned to me. I was asked quite suddenly if I would accept a commission to the Philippine Islands to inspect the sugar plantations and sugar growing and come back and tell the truth. Mr. Morey, of the Great Western Sugar Company said: "We want to know the

truth. We do not know anything about it. We know you and we have been living with you all our lives, and we want you to go out and see what you can do and some back and tell us the truth." Nothing concerning finances was mentioned or was connected with my business in any way.

Mr. McCLEARY. Have the gentlemen for whom you went now under consideration such an investment?

Major Gove. I do not know, and should not be likely to know if they had. I am not intimate with their business management.

Mr. CLARK. I would like to ask you two or three questions about this matter of the available area. On page 10 of these hearings it is said that there are 73,000,000 acres of land over there, of which 50,000,000 acres are forest and mountain lands. Now, when the forests are cut off is the land susceptible of cultivation or not?

Major Gove. I do not know.

Mr. CLARK. Here are 23,000,000 acres remaining for all purposes whatever. That is 35,937 square miles. That is about half as big as the State of Missouri.

Major Gove. Allow me to suggest that Mr. Welborn is coming before this body, and he is the minister of agriculture, and his utterances are official and authoritative, I suppose.

Mr. WILLIAM ALDEN SMITH. I understood you to say that you did not hold out to the people with whom you came in contact the idea that you were there to make any investment?

Major Gove. Not the slightest; no, indeed.

Mr. WILLIAM ALDEN SMITH. So that the information you got was not prejudiced by that fact?

Major Gove. I think I was regarded more as a schoolmaster interested in schools than as an agent for agriculture. I admitted both of them.

Mr. WILLIAM ALDEN SMITH. You were with Mr. Hathaway a considerable time?

Major Gove. Yes, sir.

Mr. WILLIAM ALDEN SMITH. Did you hear him hold himself out as one likely to make investments there—

Major Gove. Never; no, sir.

Mr. WILLIAM ALDEN SMITH. In his conversations with the people?

Major Gove. I never heard him give that expression. I have heard it stated, indeed, by other parties that Mr. Hathaway assumed that position; but our relations were somewhat confidential and we were together many nights and in conversation over long journeys, and I never heard that gentleman refer to that part of the business to which I hear reference made here and in other quarters. I never heard it before, and did not know it before.

Mr. HILL. How do you account for the differences between the statements made to you and to myself and the statements made to you personally?

Major Gove. I account for that on the ground, as I have said, that those people are poets.

STATEMENT OF MR. W. S. HUMPHREY, OF SAGINAW, MICH.

Against the bill.

The CHAIRMAN. The committee will hear you, Mr. Humphrey. We do not want to go over the ground that we went over last year.

Mr. HUMPHREY. I have no desire to do so. I would state to the committee that what I have to say is entirely based upon evidence from the Philippine Islands, and I wish to say at the outset it appears from the statements made by members of the committee and by those who have been before the committee at this hearing that you can get in the Philippine Islands nearly any kind of testimony that you are looking for.

Mr. BOUTELL. In other words, they are experts?

Mr. HUMPHREY. In other words, they are poets, to put it in the words of Mr. Gove. I understand that to be a very polite term for men who allow their imaginations to supply the facts.

The CHAIRMAN. That class of people is not confined to the islands. Go on.

Mr. HUMPHREY. I am trying now to bring to your attention some statements from people who, I hope, will not be classed as "poets." I once heard Hon. Henry B. Brown, who is now one of the justices of the Supreme Court of the United States, in an important admiralty case where the testimony of the witnesses called on each side was about equal, and after hearing the testimony, he called for the protests which had been noted at the time of the accident and read them with great interest. He said, "I always like to read the testimony of the witnesses before they have had an opportunity of being adulterated by the advice of counsel."

I think that it would be a good plan to examine the testimony of the witnesses in the Philippine Islands before it had been warped by their interests in obtaining this legislation, and I first want to refer briefly to the report which I hold in my hands, which is from the Bureau of Agriculture.

Mr. WM. ALDEN SMITH. Pardon me a minute. Will you tell the committee whether you are connected with the beet-sugar industry in Michigan? I want it on the record.

Mr. HUMPHREY. I would say that I am, and have been connected with the beet-sugar industry of Michigan for several years. I think, perhaps, first I had better refer to a document that was handed to me yesterday afternoon by Colonel Edwards; there are some things in that report to which I wish to refer. This is the report of 1905 from the Chief of the Bureau of Insular Affairs. We have been told at this hearing, and at other hearings, it was not intended by this legislation to in any way injure our industry. I understand that it is not the intent of Congress to either destroy or injure; and the theory upon which the advocates of this measure go is that it will not hurt us, and this is very concisely put by Colonel Edwards on page 7 of this report.

The CHAIRMAN. We have that report, of course.

Mr. HUMPHREY. Then I will refer the gentlemen of the committee to page 7, where it is stated that this legislation is not going to hurt us. That is what the dentist always tells us when we get into the

chair, that it will not hurt, and it does not hurt—the dentist. But it does hurt the patient.

I also wish to call your attention to this report of Colonel Edwards, page 22 of the record, on this point. You gentlemen this morning have been interrogating Mr. Gove as to whether or not under present conditions the production of sugar is going to be materially increased. Colonel Edwards gives here some statistics as to the sugar business in the Philippine Islands. I want to call your attention to page 22, where he says that among the exports of the leading articles in 1904 was sugar, 165,709,000 pounds. In 1905 it was 250,504,000 pounds. In 1904 there came to the United States, in competition with our sugar industry, 25,632,000 pounds. In 1905 there were 127,000,000 pounds, or over five times as much as the year before.

The CHAIRMAN. The price was up 2 cents a pound, was it not?

Mr. HUMPHREY. I think that pretty conclusively answers the question as to whether they are going to increase this product, an increase in one year of over 100,000,000 pounds—the whole hundred million, and a little over, coming into the United States.

The CHAIRMAN. I suppose it is true that the crops of sugar vary from year to year on the same area, is it not?

Mr. HUMPHREY. I have no doubt that is so; but I have not any doubt that immense increase may come from other circumstances than an added area cultivated.

Now, the gentlemen want to remember this one proposition, which has been very thoroughly stated to you by Mr. Hathaway, and I want to call attention to this report as verifying everything that Mr. Hathaway said to you, that with the improved methods of cultivation the sugar lands in the Philippines now under cultivation will quadruple the production of sugar; and I want to call your attention to this report of the bureau of agriculture for the year ending August 31, 1904, printed at the Manila bureau of public printing in 1905. I find that this report is signed by a gentleman who, I understand, will appear before you—at least I hope he will—Mr. W. C. Welborn, chief of the bureau of agriculture of the Philippine Islands. I want to refer first to the labor conditions as reported by Mr. Welborn before his testimony had had any chance—or his opinions had had any chance—of being warped. On page 24 I call your attention to what he says with reference to the condition of labor. Mr. Welborn says:

Labor about Murcia is abundant and cheap. Natives work for a fraction over 30 cents gold a day and board themselves. They have proved good teamsters and do satisfactorily all of the more common kinds of work on the farm. One year ago, when the writer of this said that Filipinos must drive the teams and do the plowing on the government farms, he was called all sorts of an idiot by Americans claiming special knowledge on account of four or five years' residence here. The Filipinos are now doing this work on the rice farm and every other farm under the control of the bureau; they have been doing it for very nearly a year; they are doing it as well as Americans ever did, and at prices about 6 to 10 per cent of what it formerly cost to get Americans to do it.

There is your labor cost, according to Mr. Welborn. On page 45 Mr. Welborn says:

The native teamsters accomplished just as much work and took as good care of their stock and implements as did the Americans.

During the month of January one of the American teamsters resigned his position, and I was left with but two Americans, who, in the capacity of fore-

men, did better work than as teamsters. The natives were assigned exclusively as teamsters, and in view of the fact that they were anxious to learn I have been most successful in handling American stock and American machinery. During the month I employed 35 native laborers.

On page 47, under the head of "Labor," he says:

We have experienced no difficulty in securing all the help we wanted. The wages are at present 31 centavos each per day. We at first paid 26 centavos, but the natives were not able to work more than six or seven hours per day. This we found very unsatisfactory, and in order to obtain the required results and necessary help we increased their wages 5 centavos per day each. This enabled us to increase the number of hours from six to seven hours to nine hours, and also to accomplish about one-fourth more work per day.

On page 57 he says:

All workers on haciendas receive both board and salary. The board usually costs the haciendero 1 peso a week per man. The salary of the capataz is 45 pesos per month, that of the cabo 22 pesos, the mill hands 8 pesos, and the field hands 6 pesos per month.

The capataz is the overseer of the plantation, and his salary is 45 pesos. The cabo gets 22 pesos, and the field hands 6 pesos a month, which is 11 cents a day. For the mill hands it is about $12\frac{1}{2}$ cents a day.

Then he says:

In spite of all that has been said of the Filipinos as inefficient, we must bring in a minority report. Some, it is true, are found to be averse to labor, and their services are quickly dispensed with; some are unfit for any but the commonest manual labor, while there are others who quickly learn to handle horses and to perform the usual farm operations. In short, we observe the same characteristics among laborers here that appear in laborers in the United States, except that a Filipino is unskilled at first and does not work as many days a month as the laborers in the United States do, this latter probably due to the fact that he has fewer wants.

The laborers on La Granja are not contracted for, as is the custom among hacienderos, the rule among hacienderos being to pay some labor contractor 10 pesos for each native laborer, the contractor securing the laborers on some other island. These men must work through the entire sugar season, and a certain amount of their pay is always withheld in order to keep them at work.

At La Granja we have not yet experienced any trouble in getting all the employees required. Each native on La Granja is given a small plot of ground upon which to raise his camotes, corn, and other necessities of life. The natives are much better cared for at La Granja, and we have less friction with native help than the hacienderos have.

I now call your attention to the question of fertilizing. You will find that on page 58. Mr. Welborn there says that no fertilizers are used on the islands, and there is scarcely such a thing heard of. I am not going to read that.

I now call your attention to the sugar conditions of the islands, as given by Mr. Welborn in this report for 1904, as the head of the bureau of agriculture of the Philippine Islands. On page 26 he says, in a letter which is printed on that page, written by him to the bureau of agriculture, and which is signed "W. C. Welborn, Chief of Bureau," and dated Manila, July 19, 1904:

If the bureau had from 2,500 to 4,000 acres of this land it could, in my opinion, be made the prettiest proposition in the Philippine Islands, excepting, perhaps, a model sugar plantation and an up-to-date sugar factory.

That would be the prettiest thing that Mr. Welborn ever heard of.

On page 28 Mr. Welborn says:

The islands export \$4,000,000 gold worth of sugar per annum. The majority of this comes from Occidental Negros, and La Granja is near the center of this large industry. An object lesson in up-to-date sugar methods is sorely needed. The mills generally in use are fifteen to twenty years behind the times. It is variously estimated that only 50 to 60 per cent of the juice is extracted by these miserable excuses for mills.

The entire juice, after liming and a little skimming, is boiled down into a solid mass, and is powdered up and called sugar. That is, there is incorporated in this sugar 20 to 25 per cent of molasses that could not be crystallized, and hence has to be thrown out at the refinery.

Three samples of Negros sugar sent us by the government laboratory for analysis showed an average of 78.7 sucrose, or crystallizable sugar; 7.2 glucose, or noncrystallizable sugar, and 1.41 per cent of ash. When it is remembered that every pound of glucose prevents from 1 to 2 pounds of cane sugar from crystallizing and every pound of ash from 4 to 5 pounds, it can be seen why this so-called sugar is low in price. It will fully explain why this sugar is worth only 1.8 cents gold in Iloilo, while 96° centrifugal sugar should be worth 2.6 cents gold for shipment to the United States. A modern sugar factory turns out 90 per cent of its product polarizing 96°. So the sugar planters undoubtedly lose over one-half of the possible values of their sugar cane.

Mr. Hathaway's statement to the same effect coincides with Mr. Welborn's. On page 54 we have this statement with regard to the sugar situation:

The sugar machinery installed here was the best obtainable, and experiments with different kinds of cane and different methods of planting and fertilizing were constantly in progress. The mill is still good, but entirely out of date and inadequate.

Five hundred of the 750 hectares of this station might be planted in sugar cane to furnish revenue in whole or in part for the maintenance of the agricultural college about to be established here.

This is at La Granja. They thought with that sugar there they could run a whole agricultural college, if they had it in sugar. Mr. Haile, Mr. Welborn's man in charge of La Granja, continues:

At present about 45 per cent of the juice is wasted, and hundreds of laborers on a hacienda are frequently employed to subdry the bagasse (waste) that should be ready to burn on leaving the rollers and passing over the furnace.

On page 55 I want to call your attention to the condition of the sugar industry under those conditions there, where they lose one-half the juice and where the cultivation is poor:

We planted 40 acres of sugar and 40 acres of hemp, and would recommend that these acreages be largely increased in the future.

The hemp, excepting 20 acres not included in the above, will not yield a revenue for two years, but next year's sugar crop should be 5,000 piculs.

That is on 140 acres. Now, this 5,000 piculs of sugar is one-half of the product they should get, so that under improved methods they should get 10,000 piculs with modern machinery on that government farm in charge of Mr. Welborn, who makes this report.

On page 56 Mr. Heil says, as reported by Mr. Welborn:

Fields are planted from January until May, so that they ripen in rotation, and thus furnish a continuous supply for the mill.

At La Granja it will not be necessary to plant new tops for the next five to eight years, I am informed by my neighboring hacienderos. The soil is very rich.

Where will he get the sugar for five to eight years without planting a new crop at La Granja unless it is from the ratoon crop, which he says will grow there for the next five to eight years?

I next take up the report on animals given in this volume. This report I have just read you is the report from the superintendent of the farm to Mr. Welborn, printed by Mr. Welborn in his report as the chief of the bureau of agriculture. The next subject discussed by Mr. Welborn is that of animals. The question was asked me—I think by Mr. Clark—as to why mules could not be used there, and I wish to call the attention of the committee to the fact that Mr. Welborn says not only that they can be used, but that there is no danger to them. I read now from page 13 of this report:

Since the last report the Bureau has received 8 Australian mares, 33 native pony mares, 40 mares from Kentucky, 13 stallions, 10 jacks, 5 head of Jersey cattle from the United States, 4 Berkshire hogs, and representatives of three breeds of American chickens, besides 10 Australian work horses. Thus far no epidemic disease, generally so prevalent and fatal here, has attacked these animals.

There is another part of the report, to which I have lost my reference, in which he says that they have now succeeded in conquering the difficulty that the animals were at first subjected to from these diseases in the islands and have found a way to thoroughly overcome it.

On page 24 he goes on with his report as follows:

It is found that horses and mules can stand the work here fully as well as in the Southern States.

That answers Mr. Clark's question. He continues:

With us four mules and one native teamster break 4 acres of land a day. With the native farmer one man and two carabaos break 1 acre in five days.

There are your present condition and your future condition of sugar. One man and two carabaos break 1 acre in five days, and one native and four mules break 4 acres in one day. He continues:

The reason for having two carabaos is that a carabao must spend half the time wallowing in mud and water, and hence two must be had so as to change every hour or two.

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With some Chinese oxen with which we have been experimenting, four oxen and a native plowman have been able to plow $2\frac{1}{2}$ acres a day. These oxen can work ten hours a day without suffering from heat. We have tried them in the mud and they appear to do as well as carabaos.

I call your attention next to page 27, with respect to these animals. This is the place that I said I had lost my reference to. This is in regard to infected animals:

These infected animals have now been cleaned out and twenty oxen have been sent there, which certainly can do as much work as fifty carabaos.

On pages 10 and 11, I wish to refer to one thing—as to the price. There was something said about the price of mules, and Mr. Welborn had recommended to his bureau of agriculture that a large herd of Jersey cows be brought over to the Philippine Islands. He thought that it would be a good investment, and he made that investment. He says:

Young cows and heifers of three-fourths to thirty-one thirty-seconds breeding, springing with calf from pure bulls, will cost there not over \$27.50 each put on cars. I estimate that \$12.50 each will put them on boat at San Francisco.

And he continues:

These recommendations are based on the supposition that they can come on the *Dix* at its sailing, May 10, and if so, can be delivered here within \$50 gold each.

That is, he proposes to bring them from the Southern States by rail to San Francisco, and from there by boat to Manila, at \$22.50 a head. Why not mules?

Mr. WILLIAMS. Are you aware of the fact that mules were brought over, as a matter of fact, and that every one of them died?

Mr. HUMPHREY. I will read from Mr. Welborn on that subject.

Mr. GROSVENOR. What is the use of that? Prove by some living man who has traveled in the Philippine Islands if he saw a single cow there.

Mr. HUMPHREY. I will read from Mr. Welborn.

Mr. GROSVENOR. I do not care for Mr. Welborn. The facts are what I want.

Mr. HUMPHREY. I understood that he was one of the witnesses before the Commission. On page 11 Mr. Welborn says:

Sixty-four cows and one bull were bought at the price mentioned. Sixty arrived safe in Manila after a trip occupying two months of time and over 10,000 miles of distance. Milk is already being delivered twice daily in the civil hospital, and a largely increased supply is expected in the near future as the cows come fresh in milk.

Now, he states that these cows and these cattle were shipped over there within the price mentioned—that is, \$50 apiece—and there were 60 of them arrived safe and sound, and the cows were being milked and the milk furnished to the hospital.

Mr. GROSVENOR. That milk at the civil hospital is being imported now in sealed packages from Australia, and the most wealthy families in Manila use the imported milk.

Mr. HUMPHREY. I want to call the attention of the committee to these facts—

Mr. GROSVENOR. The facts are as I have stated them to you.

Mr. HUMPHREY. I supposed, of course, that if anything coming from the Philippine Islands could be believed it would be an official Government report.

Mr. WILLIAMS. I think observations of that sort are a little unnecessary. Mr. Welborn was the chief of the bureau of agriculture. He was at the experiment station at La Granja, and he did think that he could bring these cows and other animals over there and that they would succeed, and, as was his duty, he tried it; and I am informed that all, or nearly all, of them died from climatic reasons, so that Mr. Welborn is telling the truth there in that report at that date.

The CHAIRMAN. They have died since. There are two cows now in Manila.

Mr. GROSVENOR. There were three, and one of them has died, and there were two left, and they are kept with about the same amount of care that an ordinary person uses in keeping his baby.

The CHAIRMAN. And as for the mules, this infection broke out among them and they died by the score, and the experiment has not been successful which Mr. Welborn wanted to try in the summer of 1904. That fact developed there. That question was asked of Commissioner Worcester, who had charge of that part of the report, and

he so stated in the presence of a number of gentlemen there, and there did not seem to be any dissent from that statement.

Mr. HUMPHREY. I am very glad to be corrected, of course.

Mr. CLARK, of Missouri. Does not the Army use mules?

Mr. HUMPHREY. Yes, sir; as I understand it, they do.

The CHAIRMAN. The mules have died about as fast as we have been bringing the troops back, and so we have not had to replenish the supply of mules. The army mule on a good road will do very good work there; I know that from my own personal observation; but so far as the infectious diseases are concerned, I do not know. I rode after them on a number of occasions.

Mr. HUMPHREY. I want to call the attention of the committee to one fact that I do not think can be gainsaid. Mr. Heil has been on that government farm for two years, working mules all the time, and he had only one dead mule during the whole time; and those were army mules which he bought at auction. He tells you what they can do.

The CHAIRMAN. That looks like a case of the survival of the fittest.

Mr. HUMPHREY. Those mules have been working three seasons, and they do five and six times the work of a carabao. Mr. Hathaway referred to the money conditions in the Philippines, and I want Mr. Welborn to add his testimony, as shown on page 57 of this report, where he says:

The rates paid for money with which to harvest sugar are as follows: A firm in Iloilo advances a credit of about two-thirds of the probable value of the next crop, the money to be drawn as needed. This is usually done in May, and 15 per cent is paid from that date for money that will not be drawn until the following December or May.

The *haciendero* is required to consign his crop to the firm as security, accept their classification, pay them for the sunning and resacking—although the latter is not necessary—pay 2 per cent per month for storage in the firm's warehouses, ship his sugar in the firm's *lorcha*, and purchase all his *hacienda* supplies from the same firm, and pay 25 per cent on the money loaned.

That, I understand, was the information received by Mr. Hathaway as to the way they did business.

I wish next to call the attention of the committee to the fact that some question was raised as to whether timber lands in the Philippines would grow sugar. I would say that every pound of sugar grown in Michigan is grown on timber lands, and I do not know why the timber lands in the Philippines would not grow sugar.

The CHAIRMAN. The committee or anybody would not controvert the fact that the timber can be cut off and that land would grow sugar.

Mr. GROSVENOR. It was testified yesterday that one of your sugar factories had been removed from the place where it was established because there were so many stumps on the land.

Mr. HUMPHREY. Because it was poor land. You do not understand that term. "Stump land" in Michigan means pine land from which the timber has been cut, and the land is absolutely worthless for any purpose. It is a pine barren. The stump lands of Michigan are the worthless lands of Michigan.

Mr. GROSVENOR. The same may be true in the Philippines; I do not know.

Mr. HUMPHREY. I do not know. You must remember that applies to only one kind of timber. I understand there are innumerable classes of timber in the Philippines as there are quite a number in Michigan. We would not class beech or elm lands in Michigan as stump lands. What we call stump land is the poor, barren, pine land. Those are the stump lands surrounding that factory.

Mr. GROSVENOR. The stumps were there when the factory was built?

Mr. HUMPHREY. The stumps were there when the factory was built. But I wish to say to the gentleman that the State of Michigan has been carrying on experiments and has been appropriating a large amount of money for experimentation with those various stump lands, and they have a theory that they will be brought into a high state of cultivation and will be very productive lands in time.

There is a commission in the State of Michigan having that in charge. These people who built that factory were a little too enthusiastic over the subject of those lands being brought into that condition and they put their factory there a little too early, and the anticipated results did not come to pass; they did not materialize.

Mr. Wm. ALDEN SMITH. That factory has been removed to Minnesota, I believe.

Mr. HUMPHREY. Yes; within 30 miles of Minneapolis.

Mr. Wm. ALDEN SMITH. And Mr. Wallace, who was connected with it in Michigan, is now connected with it in its new location.

The CHAIRMAN. We understand that, I think.

Thereupon, at 12 o'clock m., the committee adjourned to meet December 15, 1905, at 10 o'clock a. m.

COMMITTEE ON WAYS AND MEANS,
Friday, December 15, 1905.

The committee met at 10.15 o'clock a. m., Hon. Sereno E. Payne in the chair.

Members present: Messrs. Dalzell, Grosvenor, McCleary, Hill, Boutell, Watson, Curtis, Needham, Smith, Williams, Clark, Underwood, and the chairman.

The CHAIRMAN. The committee will be in order. Mr. Humphrey, you may proceed.

STATEMENT OF MR. WATTS S. HUMPHREY—Continued.

Mr. HUMPHREY. Mr. Chairman and gentlemen of the committee, before taking up the discussion of the Brussels agreement, I wish to call attention to page 8 of the report of the Chief of the Bureau of Insular Affairs to the Secretary of War, for 1905. The document was handed to me by Colonel Edwards.

What I wish to call the especial attention of the committee to is the subject of the land laws, the laws relating to agricultural lands. I need not read the whole of this article. It calls attention to the existing laws limiting the area of a homestead to 40 acres, and 2,500 acres as the maximum allowed to be purchased by an individual. Then comes the recommendation of the War Department, through its

Chief of Bureau of Insular Affairs, who makes the following recommendation to Congress:

It is believed that these limitations should be increased to at least 160 acres for a single homestead entry and materially increased for corporations in the less populated islands, especially in the islands of Mindoro, Palawan, and Mindanao, where only adequate inducements to capital will ever reclaim valuable lands from the jungle and savagery.

I also wish to call the attention of the committee to the figures as given by Mr. Welborn, the chief of the agricultural bureau in the Philippine Islands, and also to the estimated quantity of sugar land in the archipelago, and to refer to the reason why the sugar interests of this country are alarmed at free trade in the Philippines, or at the prospect of free trade in the Philippines.

It was said yesterday by the chairman of this committee, during the time that the gentleman from Hawaii was addressing the committee, that after free trade had been established in Hawaii the American speculators and others had gone into the Hawaiian Islands and had not only put into sugar all the lands in the Hawaiian Islands that were fit for sugar culture, but they had also gone away up into the mountains and had planted their sugar cane on lands that were not fit for sugar raising, and expected to make a profit not only out of the good land fit for sugar, but out of the lands that never ought to have been planted in sugar cane. Now, that is exactly what we expect that free trade with the Philippines will do. It will not only plant all the good lands with sugar, but it will be such an inducement that they, the planters, will flock onto land of all kinds and descriptions just as they did in Hawaii.

The CHAIRMAN. If it does not hurt you more than the operations in Hawaii did, it won't hurt you much. It took about twenty or twenty-five years to do it.

Mr. HUMPHREY. The importations of Hawaiian sugar, as I understand, in the last four or five years have been enormous. My understanding is that 400,000 tons of sugar comes into the United States from Hawaii to-day.

Now, let me call the attention of the committee to this fact—that the estimated area of sugar lands in Occidental Negros, in the island of Panay, and in the province of Pampanga, on the island of Luzon, is 2,431 square miles or, in round numbers, 1,555,000 acres.

The CHAIRMAN. Who estimates that?

Mr. HUMPHREY. That is Mr. Hathaway's estimate, made from actual observation and from the maps furnished him when he went over those islands.

Now, I want to call the attention of the committee to this fact—that the Binabagon Valley is 10 miles wide on the average and 30 miles long. These lands in the island of Negros, in the island of Panay, and in the province of Pampanga, on the island of Luzon, are among the most fertile sugar lands in the world. If it is true that there is that acreage of 1,555,000 acres, all sugar land of first quality, then 1 ton of sugar to the acre on those lands would amount to enough to supply the entire needs of the United States outside of home production; that is, outside of the production from the island of Porto Rico and from the Hawaiian Islands and from the cane and beet sugar interests of the United States. Assuming, for the sake of argument, that there are 80,000,000 of people in the United States,

and that they use 70 pounds of sugar per capita, that would be two and one-half millions long tons of sugar consumed. But a million long tons of sugar are produced now in Porto Rico and Hawaii and by the beet and cane sugar producers of the United States, leaving but 1,500,000 tons of sugar on that basis for transportation from other countries.

The CHAIRMAN. How many years do you think it would take to develop that in the Philippine Islands, if the conditions there are what you assume them to be?

Mr. HUMPHREY. I only assume that what has happened in other countries will happen in this country, when the gates are let down and the bars are opened in the Philippines. The same would happen, I think, as has happened in consequence of the reduction of duty on Cuban sugar; just the same as has been done in Cuba.

The CHAIRMAN. But Cuba years ago produced almost as much sugar as she produces now.

Mr. HUMPHREY. My understanding is that the highest production of sugar in Cuba prior to the rebellion was 800,000 tons, and now the production is 1,300,000 tons. That is the estimate made by the Cuban Government. Of course you can not believe all you see in the papers, but that is the published report in the papers. I would dislike to have the committee believe everything they see in the newspapers.

The CHAIRMAN. I should put more reliance in a report of Government imports than I would in other matters not governmental.

Mr. HUMPHREY. If it is true, as I say, if there is that much land in these two islands and this province of the island of Luzon, then 1 ton per acre on those lands will supply the entire sugar need, outside of our own production. But it is said by Mr. Welborn in this report that on the government farm, where they use better methods of culture than are generally used, they will produce this year $2\frac{1}{4}$ tons to the acre. At $2\frac{1}{4}$ tons to the acre they will produce, on these lands alone, more sugar than the entire consumption of the United States, and 500,000 tons for export besides.

But Mr. Welborn also says that with the culture that they now have on these lands at Pampanga and on the islands of Negros and Panay, their machinery is such that they lose one-half of the juice out of the cane on account of their old mills. The superintendent of the farm estimates their loss from that source at 45 per cent. Now, assume that they continue the same mode of agriculture that they have now, with stick plows and carabao, and all that, and just give them modern mills to extract the juice from their cane, and what do you get? You would have a tonnage of 4 tons to the acre simply by putting in the machinery for extracting the juice from the cane, the same as they have in the Hawaiian Islands and in Louisiana. They tell me that in Louisiana the loss is about 3 per cent in their mills, and in Hawaii they lose about 5 per cent.

Here is a loss, according to Mr. Welborn, of over 50 per cent, or according to the superintendent of the farm, a loss of 45 per cent. Now, simply by changing the mills and putting in modern mills instead of the old ones, and letting them cultivate the land in the old way, you will have 4 tons to the acre in Pampanga, Negros, and Panay; and what would your 1,555,000 acres produce? It would

produce you 6,000,000 tons of sugar, or over double the entire consumption of the United States.

But it is said by Mr. Welborn in this report that these provinces that I have named to this committee, and according to the census report of the Philippines that is only 61 per cent of the lands that were in sugar in the Philippines during the last year—39 per cent of the sugar from the Philippines was produced in other provinces. If that is true, and the area of productive sugar lands compared with the area under cultivation is the same as it is in those provinces, then you have a million more acres to add to the sugar land of the Philippines.

Now, mind you, we have not taken into account the large island of Mindanao and we do not go on the other islands. We simply confine the discussion to the provinces where they now raise sugar. And taking those only it is seen that you would produce the world's supply of sugar on those lands by simply putting in the modern machinery for extracting the juice from the sugar cane.

Suppose, in addition to that, they should have agricultural methods such as we have in the United States. Suppose they plowed with the same plow—a gang plow—and suppose they used the spring-tooth harrow and used the modern implements for subsoiling down deep in the ground, you can see that the production of sugar in those islands would be enormous upon the lands that are now known as sugar-producing lands, and without going, as the War Department here says, into those islands and introducing capital, or inducing capital to go into the islands of Mindoro, Palawan, and Mindanao and reclaim them “from the jungle and from savagery.”

The War Department not only proposes that they shall exploit the sugar lands in the Philippine Islands now known, but that you will fix it so that they can go into the unexplored islands, and, by giving them large concession in their land laws, fix it so that they will reclaim these other islands and put into sugar what are now “in the jungle.”

The CHAIRMAN. Have you made any calculation to see how many laborers would be required to produce this 6,000,000 tons of sugar?

Mr. HUMPHREY. Yes; I think it is very simple, from the statement given in this report, that one man—one of these natives—will cultivate two and one-half acres.

The CHAIRMAN. That is only cultivation. Then it goes to the manufacturer afterwards?

Mr. HUMPHREY. Yes; manufacturing and milling the sugar, and it is very easy to ascertain the number of people who would be engaged in that. It takes a large number of people to do any business, and as the needs of the business require I notice they find the laborers to do the business. For instance, there is Japan, a short way from the Philippine Islands. I know of no reason why, out of forty million odd people in Japan, there can not be a million of laborers given to the Philippine Islands.

The CHAIRMAN. The sugar people of Hawaii say they have got some there and they are going back. I am talking about the sugar planters of Hawaii when I say that, not about these gentlemen.

Mr. HUMPHREY. I do not know much about the conditions there in Hawaii, but I know there is a means of supplying an immense amount of labor in the Philippine Islands.

THE CHAIRMAN. In Hawaii they are clamoring against letting down the bars. They were not able to get any labor.

MR. HILL. Why have not the Japanese gone into the Philippines now and taken up these lands and cultivated sugar? There is no restriction.

MR. HUMPHREY. The attraction is not there now.

MR. HILL. They might do it just as well by going to the mountain tops.

MR. HUMPHREY. You put Americans in there, investing in sugar lands in the Philippines, and see what will happen if this act becomes a law. Laborers will go in there.

MR. HILL. Why have not Americans gone in there during the American occupation?

MR. HUMPHREY. If I should forget to answer that, I hope you will call my attention to the omission. Just now I desire to say this, that if Philippine sugar is allowed to come into this country free, why can not they pay \$2 a day in the Philippines and make sugar in competition with us who pay \$1.50 a day? If you bring it in with duty free, why can not they pay \$2 a day for labor and make sugar in competition with the whole earth, and put the very best skilled labor in the world upon the Philippine sugar plantations? They can make sugar and pay \$2 a day as against our \$1.50 a day in Michigan, and put the sugar down here for one-half what it costs us. Why can not they offer inducements to labor that will take the laborers out of America and put them on the plantations in those islands? Why can't they do that if the sugar is to be admitted free so that anybody can invest his capital and can go into business there? They can induce the labor of the world to go there if it is opened up to free competition and without any restrictions.

MR. CLARK, of Missouri. Mr. Humphrey, can a white man work out of doors in the Philippines, or do you know?

MR. HUMPHREY. Look at what the white men do now in the Philippines. Take the men that march and ride and are in the saddle all day long; take the workmen; take such men as Mr. Heil, superintendent of the government farm; take the teamsters, the American teamsters, who, as the reports show, are employed there driving their teams. The reports say they work there without difficulty ten hours a day. I notice also that the soldiers seem to do fairly well in the Philippines, practically as well as they do in Cuba.

THE CHAIRMAN. They send most of them home after they have been there two years.

MR. HUMPHREY. Is not that true also on our western plains?

THE CHAIRMAN. Not for the same reason.

MR. HUMPHREY. On our western plains our Government used to take the soldiers from New Mexico and Arizona and bring them up to Mackinac Island to recuperate. The island was kept as a sanitary post for the Army.

MR. WILLIAM ALDEN SMITH. And after they had been there for a little time they would want to leave there.

MR. HUMPHREY. Yes; they would want to leave after being there a while.

Now, Mr. Chairman, I wish briefly to call attention to the Brussels treaty, what is known as the Brussels agreement, respecting

sugar, and in doing so I shall take as little time as possible and give the committee fully my views in regard to the agreement.

Now, this agreement, the first paragraph of it, is as follows:

ARTICLE I. The high contracting parties undertake to suppress, from the date of the coming into force of the present convention, the direct and indirect bounties by which the production or export of sugar might benefit, and not to establish bounties of such a kind during the whole duration of the convention. For the application of this provision sugar products—such as preserves, chocolates, biscuits, condensed milk, and all other analogous products containing in a notable proportion sugar artificially incorporated—are assimilated to sugar.

Reading further, I quote:

The preceding paragraph applies to all advantages resulting directly or indirectly for the different categories of producers from the fiscal legislation of the States, including:

- (a) The direct bounties granted to exports;
- (b) The direct bounties granted to production;
- (c) Total or partial exemptions from taxation granted for a part of the manufactured output;
- (d) Advantages derived from excess of yield;
- (e) Advantages derived from the exaggeration of the drawbacks;
- (f) Advantages derived from any surtax in excess of the rate fixed by Article III.

Mr. WILLIAM ALDEN SMITH. What are you reading?

Mr. HUMPHREY. From the Brussels agreement, signed now by twelve powers. At first there were ten powers who signed it. Two have come in since.

Mr. McCLEARY. What is the date of the signatures?

Mr. HUMPHREY. This is March 5, 1902, and the agreement took effect on the 30th day of September, 1903.

Mr. McCLEARY. How long is it effective for?

Mr. HUMPHREY. For all time to come, unless put an end to under the terms of the agreement. That is, the agreement is perpetual unless, under the terms of the agreement, one year before the expiration of any given period one power gives notice that it desires to withdraw from the agreement. Then the other powers may go on continuing the agreement in force and allow the other to withdraw, or may put an end to the agreement. Unless prior to the fixed period some power gives notice of an intention to withdraw, this agreement goes on perpetually.

Mr. McCLEARY. What do you mean by the fixed period?

Mr. HUMPHREY. The first fixed period is five years from its date.

Mr. WILLIAM ALDEN SMITH. That is for meetings, I suppose?

Mr. HUMPHREY. No; for times when it can be put an end to. It is the agreement that it can not be put an end to for five years; it is an agreement in force without power to be set aside until 1908. But one year before the 30th of September, 1908, any power may give notice of withdrawal. If any power does give notice one year before that time then that power may either be permitted to withdraw or the agreement may be terminated entirely at the will of the other powers. If that time passes it comes one year further on, and then a year's notice has to be given, and each period thereafter ending at that date, a year prior to that date the notice must be given in order to put an end to the agreement.

Mr. McCLEARY. And after the first five years the period is one year?

Mr. HUMPHREY. Yes; and after that the agreement is kept in force by the powers giving no notice of any intention to withdraw. In the absence of notice indicating an intention to withdraw the agreement is continued.

Mr. WILLIAM ALDEN SMITH. You are reading from the agreement, are you?

Mr. HUMPHREY. Yes; from the agreement itself. This article 3, to which attention is called in the first article, I will explain to the committee in this way: Article 3 is the one that provides for the surtax. This copy is torn so that I can not read it very well; but in that agreement, by the terms of that article, there is allowed what is known as the surtax, the maximum of which is 6 francs per hundred kilograms on refined sugar and $5\frac{1}{2}$ francs on raw sugar. A kilogram is 2.2 pounds, and a hundred kilograms of sugar would be 220 pounds of sugar. On refined sugar the surtax may be imposed of 6 francs per 100 kilograms. On all sugar below refined sugar the surtax can not exceed $5\frac{1}{2}$ francs. That is the maximum.

Now, the surtax is explained in the agreement, and it is explained to be the difference or the advantage given to domestic sugar over foreign sugar. They allow an advantage to be given to domestic sugar of 6 francs per hundred kilograms on refined sugar and $5\frac{1}{2}$ francs on raw sugar without imposing any countervailing duty; but when it is in excess of that, then the countervailing duty goes on, as explained in this subdivision *f*, which I have just read, and it is calculated on the advantage derived from the surtax.

Mr. WILLIAM ALDEN SMITH. Do you mean by cartel or bounty that they may aid up to a certain point?

Mr. HUMPHREY. I mean this: Say we have the Philippines. Say they belong to us as a dependency of this country. It is territory belonging to the United States. We may give to the Philippines an advantage over sugar from other countries equaling $5\frac{1}{2}$ francs on a hundred kilograms of raw sugar without imposing upon ourselves the countervailing duty or without bringing that condemnation upon us for these products.

Mr. WILLIAM ALDEN SMITH. Or France may do that with respect to the island of Martinique, or Great Britain any of her provinces?

Mr. HUMPHREY. Yes; England may give to her provinces, and France, Germany, and the other powers the same. After they exceed that allowed surtax then immediately they exceed the limit the Brussels agreement will allow, and at once the countervailing duty goes on.

Mr. CLARK, of Missouri. Now, Mr. Humphrey, if these Philippine Islands are really part of the United States it would be none of the business of the Brussels conference at all, would it?

Mr. HUMPHREY. Let me show you how that is.

Mr. CLARK, of Missouri. If it were a bona fide part of the United States?

Mr. HUMPHREY. Yes; if it were a bona fide part of the United States, and at the time the Brussels conference went into effect there was a duty imposed on the Philippine Islands sugar coming into the United States, and afterwards you would attempt to change that relation, while that difference existed they would say you were indirectly giving a bounty on that sugar and you are attempting

to supply your market with a bounty-fed sugar, and that amounts to a direct or indirect benefit to that country. Now, Porto Rico and the Hawaiian Islands, that the chairman called attention to: At the time the agreement went into effect these islands brought their sugar into this country absolutely free of duty.

Mr. WILLIAM ALDEN SMITH. If I do not interrupt, I would like to ask a question.

Mr. HUMPHREY. It will not interrupt me at all.

Mr. WILLIAM ALDEN SMITH. The status of the islands is foreshadowed somewhat in the treaty of peace by which Spain gets a decided preferential in that market for many years?

Mr. HUMPHREY. Yes.

Mr. WILLIAM ALDEN SMITH. And you rely upon that distinction as taking this territory out from under our flag?

Mr. HUMPHREY. Yes. I will call your attention to that in a few minutes. If the powers signatory to this agreement say at any time that an undue advantage is given domestic sugar over foreign sugar, by the agreement any power signatory thereto has a right to absolutely prohibit the importation of sugar from that country. We made a concession to Cuba—at once a countervailing duty has gone on against Cuba, and is on to-day, and it is over 1 cent a pound as against Cuban sugar. Some gentlemen have wondered why all the Cuban sugar comes into the United States. It is because it costs Cuba \$2.27 of countervailing duty for every 220 pounds of sugar that she attempts to put in any country signatory to this Brussels agreement.

The CHAIRMAN. And we are importing so much less sugar from the parties who are signatory to this Brussels convention?

Mr. HUMPHREY. Yes, so much less from the parties to this Brussels convention.

Mr. CLARK, of Missouri. Your contention then is that if this bill is passed under the operation of that Brussels agreement or treaty or whatever you call it, all the Philippine sugar will be forced into the United States?

Mr. HUMPHREY. Yes, every pound of it; that is what I mean. We were told here last year that the object of this bill was not to open the markets of the United States to the Philippine sugar, but the object of this bill was to pry up the market for Philippine sugar in China and Japan. That is exactly the statement that was made a year ago.

Mr. CLARK, of Missouri. That is what Secretary Taft said.

Mr. HUMPHREY. The situation now developed is that when this bill is passed and a preferential is given it is a surtax pure and simple, under the Brussels agreement, and that the maximum allowed surtax is $5\frac{1}{2}$ francs per 100 kilograms of raw sugar, or exactly one-half a cent a pound. Now you can allow the one-half cent a pound surtax or preferential without incurring a countervailing duty under the Brussels agreement, but the moment you exceed one-half cent a pound your countervailing duty goes on. You have now given your preferential on sugar from the Philippines by making the duty 75 per cent of the Dingley tariff, but that does not come up to the allowed surtax which brings forth the retaliatory measures provided for in the Brussels agreement.

Now, the matter has been before this Brussels conference as to whether they could not put a countervailing duty on, as against the Philippines, and they were strongly in favor of doing that. They held a meeting in October. A copy of the proceedings of that meeting had not been received by the State Department a week ago, when their proceedings were furnished me, and the proceedings I have only include the meeting of April, 1905. The State Department makes this comment: "A session of the permanent commission was held in the month of October, 1905, the proceedings of which have not yet been received in this office." So, as I said, I have the proceedings of the commission up to that last meeting, but we have the publication in the Paris papers as to the measures considered at that meeting, and briefly they were these: The first thing considered was as to sugar coming from Bolivia. The second matter under consideration was Guatemalan sugar, and the third was sugar from Honduras. The fourth was sugar from Paraguay. Number five was relative to the Philippines.

"There exists a surtax." That shows you what this will be considered to be. But the commission had decided that this can not be construed to mean a bounty on either raw or refined sugar. Number six concerned Nicaragua. They received a bounty, and the countervailing rate fixed by the commission should be maintained.

Mr. NEEDHAM. Do they tell why that should not be considered as a bounty?

Mr. HUMPHREY. No.

Mr. NEEDHAM. Have you any evidence to that effect?

Mr. HUMPHREY. This is all the evidence. I think I know why, and that is that wherever the amount of surtax of any nation does not exceed the allowed surtax there is no countervailing duty imposed.

Mr. McCLEARY. Pardon one question, please. Are China and Japan signatory powers to this conference?

Mr. HUMPHREY. No, sir. I am very glad you spoke of that, because it is assumed that China and Japan are large markets for Philippine sugar. The real facts of the case are that during the present year Japan and China will take but a small amount of Philippine sugar. The amount of Philippine sugar that came into this country in the past year was over five times as much as it was the year before. And why? The Hongkong refineries, which are the only refineries in China, are upon English soil, upon English territory. England is a signatory power to the agreement. Every pound of refined sugar, refined from the Philippine raw sugar, will have this Brussels agreement enforced against it when imported into a country signatory to the agreement, and the countervailing duty will be put upon it. Now, the only sugars that will go from the Philippines to China are sugars sold in the raw state.

Mr. Wm. ALDEN SMITH. You mean from the Philippines to China?

Mr. HUMPHREY. Yes; from the Philippines to China.

Mr. HILL. You are aware of the fact that China and Japan have taken three-fourths of all the Philippine sugar for three years past? It is right here in the official report. Last year, 1904, China took a hundred million pounds and Japan 33,000,000 pounds, and the rest of the exports were 37,000,000 pounds to the United States.

Mr. HUMPHREY. I am glad the gentleman called my attention to

it, because the market for 1904 differed from that of 1905. That difference is what I want to call attention to. What did they do in 1905? The total exports from the Philippine Islands were 250,254,-000 pounds, of which 127,000,000 pounds came to the United States.

Mr. WM. ALDEN SMITH. What are you reading from?

Mr. HUMPHREY. From the report of the Chief of the Bureau of Insular Affairs to the Secretary of War, in 1905. That Mr. Hill stated correctly the condition in 1904 I will concede. But how is it in 1905? The Hongkong refineries said, as Mr. Hathaway stated yesterday, "We have not bought a pound of Philippine sugar last year, and we are not going to so long as you are giving it a preferential in the United States." Now, you take 1904, for instance. The total exports of sugar from the Philippine Islands in 1904 were 165,709,000 pounds. But only 25,000,000 pounds of that came to the United States. Where did the rest of it go? It found a market elsewhere. Why is it coming into the United States in 1905 in such large quantities? It is because they are imposing the Brussels agreement against them, because of the preferential.

The CHAIRMAN. Do you know that at the meeting of the permanent commission in October at Brussels they had suppressed the additional duty on Philippine sugar, pending an examination as to the relation of the United States in connection with their legislation with Cuba and Porto Rico, and in consideration of that question the whole thing was suppressed?

Mr. HUMPHREY. I will state to the committee that I have not seen anything but a newspaper report as to what the commission did at that meeting. I have what was done at all the other meetings of the commission, and I wish to read just what took place in the April meeting.

Mr. WILLIAMS. I understood you a moment ago to read something to show that these delegates, or the directors, or whatever they are—

Mr. HUMPHREY. The commission?

Mr. WILLIAMS (continuing). Yes; they did not enforce the surtax, but on the contrary agreed that they could not enforce the provisions of the Brussels treaty against the Philippine sugar?

Mr. HUMPHREY. Yes.

Mr. WILLIAMS. And then I understood you later to account for the figures of 1905 on the ground that those provisions had been enforced?

Mr. HUMPHREY. No; not that they had been enforcing the conditions of the treaty, but that it was the discouragement that had been met with at the refinery on account of those provisions. At Hongkong, for instance, they refused to buy a pound, refused to buy one pound of sugar from the Philippine Islands last year—

Mr. WILLIAMS. Why was that?

Mr. HUMPHREY. It was a British refinery, and—

The CHAIRMAN. It was the refinery enforcing the conditions, and not the signatory powers. Do you think we ought to shape our legislation on this subject with a view to affecting the refiners at Hongkong? Is that the argument?

Mr. HUMPHREY. No, sir; not at all. My argument is this: Just as soon as your surtax exceeds the surtax allowed, then the Brussels conference will execute the countervailing duty upon you.

The CHAIRMAN. Did not a large amount of sugar come to this

country from the Philippines? Was it not shipped from the Philippines at the time the price of sugar had gone up a cent or two a pound, and when large quantities of it arrived in New York the price had again gone back, and the great bulk of that sugar is now held in bond because they can not sell it and get their money out of it?

Mr. HUMPHREY. I could not tell you about that, because I do not know.

The CHAIRMAN. I think you will find that to be a fact.

Mr. HUMPHREY. I don't know anything about that. But I can not understand why it should be shipped to the United States last year any more than any other year. This high price was not in the United States alone. It was the world's high price.

The CHAIRMAN. It was on account of the action of the Brussels conference that cut down the production of sugar in those countries.

Mr. HUMPHREY. No; my understanding was that the growers themselves, after they saw the tremendous overproduction of sugar in Germany and elsewhere—

The CHAIRMAN. Is it not a fact that it was on account of the short crop?

Mr. HUMPHREY. Yes; that has caused the rise of sugar all over the world. There is no reason Philippine sugar, as I said, should come to the United States on account of high prices any more than to England or Japan or to any other country.

The CHAIRMAN. Unless there was something in the complaint that the Chinese merchants fixed the price according to the necessity of the producer and not in accordance with the world's price.

Mr. HUMPHREY. I am glad the gentleman referred to that, because I wish to show to the committee, before I get through, how the Philippine price will be affected.

Mr. WILLIAMS. I do not want to worry the gentleman, but let me interrupt you for one moment. I see the Philippine Islands impose a tax of \$1.62 on raw sugar and glucose, G. W., 100 kilos, and on refined sugar, N. W., 100 kilos, \$3. That is under item 289, on page 44 of the pamphlet edition of public act No. 141, approved March 3, 1905. Was not that the duty which the commissioners of the Brussels conference were contending about, and concerning which they decided it was not a bounty, not a law of ourselves, but a law of the Philippine government?

Mr. HUMPHREY. I should presume so; I should presume that would be it. Now, the meeting was held in April, 1905, and they took action with regard to several different nations, and this action was taken—action was deferred pending further information relative to the following-named countries: The United States, Porto Rico, Cuba, Mexico. It appeared, however, that the sentiment of members of the commission was that the countervailing duty should be declared upon sugars from the United States, Porto Rico, and Cuba.

Mr. DALZELL. What is the date of that, please?

Mr. HUMPHREY. April 16, 1905. That is the meeting just prior to the last one. They proposed to put a countervailing duty not only on Cuba and Porto Rico but on the United States also, because the United States are making preferentials in favor of this sugar. Let me show you further what took place. The countervailing duties formerly declared against various countries were not disturbed, and

they remain as follows upon refined sugar: Russia, 31 francs (this amounts to over 6 cents a pound as the countervailing duty against Russia); Brazil, 9 francs, Chile, 10.86 francs; Costa Rica, 15 francs; Cuba, 11.35 francs, or \$2.27 on 220 pounds of sugar; Denmark, 3.50 francs; South African republics, 5.62 francs, and so forth.

My understanding is that the countervailing duty is imposed as follows: Sugar receiving a preferential for domestic as against foreign sugar is subject to the countervailing duty. It is what is called the advantage on account of the surtax. Supposing that the surtax is 1 cent a pound, for illustration, you are allowed to put a surtax of one-half cent a pound upon the sugar. Then take the allowed surtax from the surtax imposed, and that would leave a half cent in excess of the allowed surtax. Then they divide that by two and say that is "the advantage."

Now take the Philippine illustration. You pass this bill, and it has a surtax in favor of the Philippines of three-fourths of the Dingley bill, or, as I understand, on the sugar now coming in from the Philippines, 94 cents per 100 pounds. Fifty cents is allowed surtax. The difference is 44. "The advantage" is one-half of the 44, or 22; 22 cents with such additions as the Commission may see fit to impose in addition to that, because you must understand they say that is the maximum. They may allow less, but the maximum would be 50 cents a hundred pounds as the allowed surtax on Philippine sugar. The countervailing duty would then be at least 22 cents per hundred, or about the freight from Iloilo to New York. That they will have to pay in the foreign markets in order to get into those markets. When they produce sugar of 96 test the surtax would be \$1.26. That is, the excess over the allowed surtax would be 76. The countervailing duty imposed would be one-half of this, or 38 cents, or the freight from Iloilo to New York, and 14 cents in addition thereto, which will drive every pound of Philippine sugar into the United States.

The CHAIRMAN. Are you not afraid that will cut off the trade with China and Japan, they not being in this conference, not having signed this agreement? It would not take it off; it would not deprive us of that market, would it?

Mr. HUMPHREY. I want to be correctly understood, if the chairman please. It does deprive them of their market, so far as their market to the refinery is concerned. These are what are known as refining sugars, and for the purpose of a market to the refiner they have no Chinese market.

The CHAIRMAN. No Chinese market except through the refinery at Hongkong?

Mr. HUMPHREY. No, sir.

The CHAIRMAN. There is more sale and consumption of raw sugar than is refined at Hongkong?

Mr. HUMPHREY. I say it cuts off the Chinese market to the refiners. It limits the market of the Philippines to the Chinese market for the raws, to consume as raws; but when it goes to a market to the refiner, he has none.

Mr. WILLIAMS. Do the Chinese consume refined or unrefined?

Mr. HUMPHREY. In China?

Mr. WILLIAMS. Yes.

Mr. HUMPHREY. Never having been in China, I must simply repeat to you what Mr. Hathaway said. They told him that the consumption of raws was being almost entirely superseded by the consumption of refined. They told him that they were stopping using the raw and using the refined.

The CHAIRMAN. The reports do not show such an alarming condition as that. The consumption of both is increased.

Mr. WILLIAM ALDEN SMITH. Mr. Humphrey, you make the contention that the market to the refiner is essential to their prosperity?

Mr. HUMPHREY. I make this statement, and I think it will be borne out by every sugar raiser in the world, that the market of the producer is the refinery; that the small market you have for the unrefined sugar is to-day in the world but a bagatelle. The great market is the market to the refinery.

Mr. WILLIAM ALDEN SMITH. And in Hongkong the market is the English refinery, and all the refineries are on English soil?

Mr. HUMPHREY. Yes; and in America the market would be restricted to two men—H. O. Havemeyer and Mr. John Arbuckle—and when you drive the Philippine sugar into America the Philippine producer will come on his knees to Mr. Havemeyer and Mr. Arbuckle, and those gentlemen will allow him just as much or just as little as they please over and above what they can get in the markets of the world. There is no other market for him.

I want to answer the question asked by Mr. Hathaway. I do not mean to say that I can answer it better than Mr. Hathaway did, but I will give you my idea of why a man will not to-day invest in sugar in the Philippine Islands. My opinion why no man will invest in the Philippine Islands in case this bill becomes a law is this: Take the investor of small amounts, like the sugar investor, in the United States, outside the interests that might be held by some of the New York capitalists that are connected with the American Sugar Refining Company. There are some of them, some of that kind, I understand, who have unlimited capital, but the principal capital invested in Michigan is invested by men of small means, men who have no large amount of money and can not afford to lose the little they have got. Take, for instance, the Michigan investors in the sugar business. If they go to the Philippines and enter into the sugar business and this bill becomes a law they have no market but the market of the United States. We find the United States market cornered by two men. They would be compelled to sell sugar at the price which these buyers dictate. Dare we go into the business under such conditions? Not at all.

It takes no prophet to foretell the outcome. You might say, "Why not build a refinery and refine your sugar at first hand for yourself?" You can not build a refinery in the Philippine Islands. You can not refine sugar there. That climate is so damp that the sugar would run no better than "Coffee A," and you could not sell it in the world's markets as refined sugar. You must refine it on this side, not over there. It has been tried and the experiment has proven to be a failure. You must refine sugar on this side, and you must have sufficient capital not only to own the plantations in the Philippines, but also your sugar refinery on this side of the water.

Mr. GROSVENOR. Where was that refinery? I do not wish to interrupt you, but at what point is it?

Mr. HUMPHREY. My information is that it is at Malabon.

Mr. GROSVENOR. That is about 10 miles from Manila.

Mr. HUMPHREY. They can not refine sugar and sell it as refined sugar in the markets of the world. You could not bring that over and sell it here in competition with our refined sugar.

Mr. GROSVENOR. Is it not in operation now?

Mr. HUMPHREY. Yes; but you can not sell its product here.

Mr. GROSVENOR. What is the difference in the climatic condition between Hongkong and Honolulu? Is there any?

Mr. HUMPHREY. I am simply giving you information that I got on that subject, gentlemen. I think you will find on inquiry that I am correct, and you will find that the refined sugar refined in the Philippines can not be sold in the United States as refined sugar. I think you will find that out, because that was one of the things that was investigated, and it was found out conclusively that sugar could not be refined in the Philippines.

Mr. WILLIAMS. Are there any refineries in Japan?

Mr. HUMPHREY. Only two small refineries that take but a very small amount of sugar. They have no effect on the market.

Mr. HILL. Mr. Humphrey, in an almost straight line across the China Sea, across from Manila, is there not one of the largest refineries in the world? The line runs out practically on the same parallel of latitude, or substantially the same.

Mr. HUMPHREY. Yes; at Hongkong. But perhaps you can tell me why there are climatic differences, differences in climatic conditions, in such a short space?

Mr. HILL. Excuse me; I was not testifying.

Mr. HUMPHREY. I know one thing, that in Phoenix, Ariz., I may be walking in the sunshine and stop for a moment under a tree, and there may be 15 degrees difference in the temperature. That is not so in Michigan. Why it is I can not explain. But when you get a fact fixed by actual demonstration the why is of slight importance, and I am confident you can not refine sugar in the Philippines. What is it? It is sticky sugar, and not refined sugar.

With this tested and found to be so, people do not care to invest in refineries in the Philippines. That was thoroughly investigated and it was ascertained that sugar can not be refined in the Philippines. But what difference does it make whether you refine in the Philippines or elsewhere? I was simply illustrating why a man of small means can not go into the sugar business in the Philippines if all the sugar in the Philippines is marketed in the United States. You must own a refinery, wherever it may be located. You must own large plantations, so that you can supply it the year round with raw sugar and keep your refinery running twelve months in the year, or what is the result? If you do not run the whole year you are up against the very thing that the beet-sugar manufacturer has to contend with—you can not supply the trade for twelve months in the year. You can only supply it for a portion of the year. What happens? The American Sugar Company says: "You must sell your sugar 10 cents a hundred pounds less than we sell for. You can not supply the customer the whole year, and if he pays you the full price for six months he can go without sugar the balance of the year." And we have to sell refined sugar—as good refined sugar as any in the world—for 10 cents a hundred pounds less than the refiners' price.

The CHAIRMAN. Do they make the same difference on that?

Mr. HUMPHREY. I want again to state what I have already stated here in regard to the way these factories are conducted. If the American Sugar Refining Company owns a dollar's interest in those beet-sugar factories, I do not know it. All I know is that some money has been put in by trustees. But if they own a dollar in them, they are as absolutely dead as to any part or parcel of the management of those factories, or as to any assistance they render in the sale of this sugar on behalf of the factory, as the Khedive of Egypt. We never hear from them. We never get a particle of advice from them. We never receive any advantage from them in the sale of sugar or in the handling of the product. The only thing we have ever heard of them is that there is some of their money in the business.

The CHAIRMAN. Has the trustee anything to do with the conduct of the business?

Mr. HUMPHREY. The trustee has one vote on the board of directors. That is all he has to do. He has never given any direction, or assisted in the conduct of the factory, or expressed his opinion, except as a member of the board of directors.

Mr. WILLIAMS. Is the sale of refined beet sugar 10 cents a hundred pounds less than cane sugar, although the sugar is equally as good? Is that a voluntary sale on the part of the beet-sugar refiners, or is it by agreement with the other people to keep them off you?

Mr. HUMPHREY. The beet-sugar men in this country have no more to do with the fixing of the rate or price of sugar than they have of fixing the time when the sun shall rise. We have nothing more to do with the fixing of the price of sugar than we have with the running of this committee. [Laughter.]

Mr. WILLIAMS. You do not understand me precisely. I understand you to say that the sugar trust—we will call it that for short—says that if any consumer buys at the same price from you as from them, it will make him sweat. Now, does that apply to you if you sell it to him? Is the lack of sale attributable to the fact that the consumer will not purchase from you, or is the reason why the sugar trust control it the fact that they intimidate the buyer? Do they control it because they intimidate the buyer?

Mr. HUMPHREY. They dictate the price just as completely as it is possible for the price to be dictated. It is absolutely impossible for us to fix the price. It is claimed, and this may be the fact, that the world's market fixes the price.

I want to state a fact to you gentlemen that perhaps you do not know. For instance, if I sell sugar to-day, say 100 barrels of sugar, terms of delivery March 1, 1905, and I sell to him on the 1st of March delivery, my sale of that sugar guarantees the price to the 1st of March. For instance, if the price should drop 20 or 50 cents a barrel before the 1st of March, he takes it out of me, and if it rises, he takes it, too. He gets both ends of it.

Mr. CURTIS. He gets you going and coming?

Mr. HUMPHREY. Yes; absolutely. That shows how absolutely the sugar market is beyond our control. Now, I say when you force all the Philippine sugar into the United States it is easy for you to see why a man of moderate means can not go into the sugar business in the Philippines. It simply drives the sugar business of the Philippines into one magnificent sugar trust, with capital sufficient to own

their estates, their sugar plantations, in the Philippines and their refineries in the United States and produce raw sugar enough to run their refineries all the year round and have capital equal to the vast capital of the American Sugar Refining Company and fight them to a finish.

Now, there is where the sugar industry in the Philippines is being driven. It absolutely shuts out the small dealer and the small investor. If the buyer goes over there and invests and sends his sugar here he finds the market cornered. He must go to two men only. That is the reason why a man will hesitate to go into the sugar business in the Philippines.

The countervailing duty forces this market. If a man has not sufficient capital to supply a refinery all the year round, his sugar is discriminated against immediately. You will find that all the candy makers in the country will say, "Your sugar won't make candy," and all the women will say, "It won't make jelly."

Mr. WILLIAMS. Could we not put an end to that state of affairs by engraving on this bill a provision either cutting it off, or cutting it in two, or abolishing the sugar differential? Would not that destroy the power of these great refiners?

Mr. HUMPHREY. I can not see how that would affect it, except in this way: You can drive all the refining business over on the other side of the water, and they will send their refined sugar over here in competition with our sugar—the beet sugar being nothing but refined sugar. You can do that, but that will simply drive the refining industries over to the other side. This would lose the cane growers in the United States their only market and destroy their industry, and it would also ruin ours—the beet-sugar industry—by bringing it into competition with foreign refined sugar. The differential between raw and refined is now only about one-fourth the cost of refining.

The CHAIRMAN. And cut down your industry?

Mr. HUMPHREY. Yes.

Mr. WILLIAMS. One moment, Mr. Chairman, if you please. Would not that bring them down to the point where, if they would undertake to exploit the Philippine sugar, the foreign refineries could send their sugar here and supply the market?

Mr. HUMPHREY. No. Here you have given Cuba the benefit of 34 cents a hundred pounds. It is stated as a fact that the refiners have taken 23 cents of that and have allowed the Cuban 11 cents, and they make their brag of that. Now, if they can take 23 cents out of that 34 cents and put it in their pockets and allow the Cuban 11 cents, how could our reducing that one-half affect it? Cuba, you see, is restricted principally to the United States for its market. They can not sell their sugar anywhere else. There is over a cent a pound countervailing duty against it in England and in other countries. Russia has a countervailing duty of 6 cents a pound against it.

The CHAIRMAN. I want to caution you, Mr. Humphrey, against repeating so much of your statement. Your time is limited and you are taking up the time that belongs to others.

Mr. HUMPHREY. I beg your pardon, sir.

The CHAIRMAN. You are repeating your statement with regard to the countervailing duty which you gave us fully a moment ago.

Mr. WILLIAMS. That is a matter of some importance, Mr. Chairman.

The CHAIRMAN. But he went into that before.

Mr. NEEDHAM. Mr. Humphrey, suppose in this bill we should repeal the Cuban reciprocity and give notice of its revocation. Would that help matters?

Mr. HUMPHREY. It would help matters wonderfully. Instead of the Cubans reporting that they had sent \$69,000,000 worth of sugar into the United States this year, I think their sugar would find a market in other parts of the world. As I understand it, there have been just four cargoes that have gone to some other country than the United States since the reciprocity treaty was signed. I want to call your attention briefly to the market—

Mr. GROSVENOR. What change has been made in the market for Cuban sugar from what it was before the passage of that bill? Why did they have a market outside of the United States? How many tons were sold, and why? And before you make that statement, won't you examine the facts and take back that other statement? Cuban reciprocity has not driven 1 pound of sugar into the United States.

Mr. HUMPHREY. I am not prepared to argue the Cuban question this morning. I am only referring to it incidentally.

Mr. GROSVENOR. You are illustrating the Philippine situation by a reference to some misleading information as to Cuba.

Mr. HUMPHREY. There is 1 cent countervailing duty over there on Cuban sugar, and the fact is that all the Cuban sugar comes into the United States.

Mr. GROSVENOR. You say it is our tariff reduction that did that?

Mr. WILLIAMS. In other words, did not the bulk of Cuban sugar come here before reciprocity?

Mr. HUMPHREY. My understanding is that there was a large market in London for Cuban sugar before that.

Now, I want to call your attention to the difference between the China market for sugar and the Hongkong market. In 1904 there were 13,363,000 pounds of sugar for the markets of China as against 118,968,000 pounds to Hongkong, to the refineries.

The CHAIRMAN. Now you are begging the question by saying that all that went to Hongkong went to the refineries. Of course, we all know that Hongkong is the great distributing station to Japan and China.

Mr. CURTIS. Was not that transshipped?

Mr. HUMPHREY. I don't know. I have no knowledge of that.

Mr. BOUTELL. In what shape does the beet sugar get into the market, as granulated or otherwise?

Mr. HUMPHREY. Every pound is granulated sugar. In the United States there are no factories making raw sugar from beets.

Mr. BOUTELL. Can the granulated beet sugar, as it comes into the market, be distinguished from the best granulated sugar made from the cane?

Mr. HUMPHREY. It is an absolute impossibility for any expert or any chemist in the world to tell which is beet sugar and which is cane sugar. It has been tested over and over again. There is one way only in which it can be done to a limited extent. They have now got so that they can tell beet sugar—some few experts can—from the fact

that the beet sugar is more brilliant in color than the cane sugar. They can tell it by picking out the finest-looking sugar and calling it beet sugar. But by testing it chemically I understand that no chemist can tell the difference.

Mr. BOUTELL. Then, as I understand it, it is impossible for the ordinary purchaser and consumer to tell the difference?

Mr. HUMPHREY. Absolutely.

Mr. BOUTELL. Just one more question, if you please. Is there any difference between beet and cane sugar in any of the uses to which sugar is ordinarily put?

Mr. HUMPHREY. Not the slightest. It can not be told in any way. There is no test that can be applied to it that I know of. The chemists, I understand, have given it up. They can not distinguish it.

The CHAIRMAN. That answers the question.

Mr. McCLEARY. If the beet-sugar factories were able to supply the markets for the year round, then we would be free from the domination of the American Sugar Refining Company?

Mr. HUMPHREY. Yes, provided that we could supply our list of customers with all they need. For instance, if we could get a line of wholesalers to buy our sugar and we could furnish all they needed throughout the whole year they could not make any distinction between us and other sugar. But we can not do that.

Mr. McCLEARY. Why not?

Mr. HUMPHREY. We made 8,000,000 pounds of sugar this year. We have sold, up to the time I left home, a little over a million pounds. We have sugar stored in Chicago, St. Paul, and Duluth, and we have to pay so much per barrel for storage, and we have to take the chances of the market as to whether it is going up or going down, and we have to pay insurance and commissions, and it is too expensive to build a warehouse large enough to hold the entire output for the year.

The CHAIRMAN. It would cost you, in a word, more than the 10 cents difference?

Mr. HUMPHREY. Yes; it would. And then again it requires a capital of between three and four hundred thousand dollars to carry your business if you hold your sugar.

Mr. WILLIAMS. Why are you compelled to do all your refining at once?

Mr. HUMPHREY. After the beets come to the factory the factory runs day and night and Sundays and all the time until the beets are ground up. As soon as the beets freeze that retards the extraction of the juice from the beets, and we have to get just as much of it done as we can between the time the beets come into the factory, which is about the first of October, and the time when it commences to freeze so hard as to impair the sugar content in the beet.

Mr. WILLIAMS. In the cane refineries do they keep the sugar in the state of raw sugar?

Mr. HUMPHREY. Yes; certainly.

Mr. WILLIAMS. You can not do that?

Mr. HUMPHREY. No, sir; it is an impossibility. All of our sugar is forced on the market at the least within four or five months after it is made.

Mr. McCLEARY. That would remain true, no matter how many beet-sugar factories are in the country?

Mr. HUMPHREY. Yes; that is the condition. We are discriminated against in price by the cane sugar of Louisiana, Hawaii, Cuba, and the Philippines. They all get a higher price than is paid for beet sugar. We are between the upper and the nether millstone.

Mr. McCLEARY. That is an important fact. It is inherently so, in the nature of the case, that the beet sugar must be made within a very limited period?

Mr. HUMPHREY. Yes.

Mr. McCLEARY. You must necessarily carry it over a longer period than the cane sugar?

Mr. HUMPHREY. Yes.

In Germany they have done this; maybe we will be forced to do it, too. If we do, a large amount of machinery will have to be torn out and thrown away. We may be forced to make raw sugar for the refineries yet. If we do, then God help us, unless we have sufficient capital to own our own refineries.

The CHAIRMAN. Of course the refiners store the raw sugar?

Mr. HUMPHREY. Yes; they put it in great bins and use it when they want it.

The CHAIRMAN. They store it?

Mr. HUMPHREY. Yes.

Mr. CLARK, of Missouri. What is the reason you can not do that same thing? Is it a continuous process from the time you extract the beets? Can not you stop it at raw sugar? Why not store it just as the other fellows store up the cane sugar?

Mr. HUMPHREY. Mr. Clark, if I had \$90,000,000 I would go into the business on a big enough scale to be independent of the refineries. We were attempting to make a local business; where the business would be conducted in the locality of the factory owned by the citizens living near it, and the beets furnished by the farmers in the locality, thus making it a home matter, just the same as we used to have butcher shops in the country. But that business has been driven into the beef trust, and this business is getting into such a position now that we must either have immense capital and go into an immense business or be discriminated against in our prices.

The CHAIRMAN. That is all, Mr. Humphrey.

Mr. Humphrey filed the following:

Minutes of proceedings of Brussels sugar convention, as translated for Mr. Watts S. Humphrey by the Department of State, filed by Mr. Humphrey.

MEMORANDUM.

The following-named countries are parties to the Brussels sugar convention of March 5, 1902: Germany, Austria-Hungary, Belgium, Spain, France, Great Britain, Italy, the Netherlands, Sweden, Norway.

The following countries have since subscribed to the said convention: Switzerland, Peru.

At the April, 1905, session of the permanent commission established in said convention the action formerly taken declaring countervailing duties against the following-named countries was rescinded: Greece, Haiti, Portugal, Portuguese possessions.

The action formerly taken declaring countervailing duties against the follow-

ing-named countries was suspended pending the receipt of further information: Bolivia, Guatemala, Honduras, Nicaragua, Paraguay, Philippine Islands, Uruguay, Dominican Republic.

Action was deferred pending further information relative to the following-named countries: The United States, Porto Rico, Cuba, Mexico. It appears, however, the sentiment of the members of the commission that the countervailing duties should be declared upon sugars from the United States, Porto Rico, and Cuba.

The countervailing duties formerly declared against various countries were not disturbed, and they remain as follows upon refined sugar, per 100 kilograms:

	Francs.
Russia	31.00
Brazil	9.00
Chile	10.86
Costa Rica	15.00
Cuba	11.35
Denmark	3.50
South African Customs Union	5.62

At the session of March 14, 1904, it was concluded that no countervailing duties should be declared upon sugars from the following countries: Servia, China, the Kongo States, Turkey, Korea, Salvador, Persia, Morocco, Danish West Indies.

At the session of April 8, 1905, the countervailing duty upon sugar from the Argentine Republic was fixed at 19.90 francs per 100 kilograms.

Under the Brussels Convention not only are all direct and indirect bounties chargeable as countervailing duties, but one-half of the difference between 6 francs for refined and $5\frac{1}{2}$ for unrefined sugar and the difference between the tax upon foreign sugar, or customs duty, and the tax upon domestic sugars, or excise duty, is fixed as countervailing duty. To illustrate:

	Francs.
Import tax per 100 kilograms	20
Internal or domestic tax per 100 kilograms	4
Difference	16
Maximum of surtax allowed	6
	10

Ten divided by 2 is 5 francs, the countervailing duty declared.

A session of the permanent commission was held in the month of October, 1905, the proceedings of which have not yet been received in this office.

ORDER OF PROCEDURE FOR HEARINGS.

Mr. OXNARD. Mr. Gray was expected here this morning, but he could not get here. I will ask you to hear Mr. Willett (see p. 189) on the subject—Mr. Willett of the firm of Willett & Gray. They are recognized experts.

The CHAIRMAN. Are there any gentlemen who want to appear on this subject this mornnig? Does anyone want to appear in behalf of the tobacco interests this morning? I will state that Mr. Welborn, of Manila, is here. He has just arrived and wants an opportunity to look over the evidence that has been brought out here and will be ready to go on in the morning.

Colonel EDWARDS. Mr. Chairman, Mr. Peabody, who was mentioned in the testimony the other day, is here. He could probably fill in the interval.

The CHAIRMAN. We have about fifteen minutes left before adjourning time.

Mr. DALZELL. We have twenty minutes.

STATEMENT OF MR. HENRY W. PEABODY, OF BOSTON AND NEW YORK.*(For the bill.)*

The CHAIRMAN. Please give your full name, Mr. Peabody.

Mr. DALZELL. Give it to the stenographer.

Mr. PEABODY. Henry W. Peabody, of Boston and New York. I appear in behalf of the bill for the reduction and the ultimate abolition of the duties on the products of the Philippines to this country, because I believe it is due them from us to get this advantage. It is the only advantage that we can give them.

Providentially we have become their governors, their guardians, and they are helpless in our hands. They have no voice in their government excepting to pray, and they have prayed to us as one man with all their power for years. Their only desire has been that you would give them freedom in trade for their products in this country.

It is not designed on their part that they have a special interest in the two articles which are so heavily protected in our country. Nature has given them those products as their leading products. One is hemp, which is admitted free, and the other is sugar. I can not see that we can extend to them any advantage commercially in any other way than that which they ask, and I earnestly add my plea in their behalf that you will consider favorably their request and pass a measure substantially such as you have before you.

As regards the reduction and abolition of the duty on Philippine products, they believe, and we believe, that the abolition of the duties will increase the value of their products in their own country. Many of us believe that it will injure nobody in this country, and I think that it is very easy to show that it will be a very long period before real harm could come to us, and other changes may come, as was just pointed out to us, that would entirely remove the danger of anybody being hurt in this country.

I was out last winter in the Philippines. It was with great satisfaction that I read the message of the President before I left there wherein he declared that the policy of our Government was and should be that we should hold the Philippines for their good, that we should make our laws in their interest; and I felt that I was authorized to encourage the hope of those people there that our Congress would respond in laws so as to benefit them. A large delegation on behalf of the Administration and all the governing powers have visited the islands and have seen for themselves the conditions that exist. They have heard the universal cry, "Give us your market!" They never will hear a different cry.

They had expected this. They have the right to expect it, and I think it is our duty to give it to them. In my opinion we never will discharge our duty to them as our wards until we obliterate our duties on their imports.

Great stress has been laid on the large importation of sugar last year. It was an unfortunate venture on the part of some of the merchants in the Philippines. The price of sugar was unduly advanced by statistics. Experts in Europe had figured out that, owing

to the shortened crop of beet production for 1904, there would not be sufficient raw sugar in the world to supply the refiners of the world by September, which would mean a month before the other crop, the new crop, would come in to relieve the situation.

One of the influences that led to the breaking of that prophecy was the high price that resulted, which checked consumption in so marked a degree that it was very soon seen that there would be plenty of stock, and so the market went down even more rapidly than it had advanced and to a far lower level than it started from. The sugars were forced out there on the rising market, and at such high prices, as has been stated here, that there was no advantage to the Japanese and Chinese purchasers to procure supplies there. They could get them cheaper from Java, I presume. At any rate, these friends in the Philippines thought they saw an opportunity for a sure and safe venture in purchasing sugar and shipping it to this country, with the advantage of the little reduction already made, and with the hope that your generous dealing with the islands would lead during the past session of Congress to a reduction of the duty in a larger degree. But during the passage of the vessels to this country the market, which had been high, fell to a low figure. A small portion of the sugars was sold at a loss; the remainder of them lay in store. The Philippine producer got a large price, but the owner of the sugar can not sell to-day without a tremendous sacrifice and loss.

Mr. WATSON. How much of that sugar is stored?

Mr. PEABODY. It is in New York—in the bonded warehouse.

Mr. WATSON. How much of it?

Mr. PEABODY. Over 30,000 tons. There was imported altogether 44,000 tons.

Mr. NEEDHAM. What interest have you in it?

Mr. PEABODY. An interest belongs to my friends.

Mr. NEEDHAM. Don't you think we ought to put an amendment in the bill that the provision for a reduction of the duty shall not apply to that which is now in?

Mr. PEABODY. It has never been done before. As the law exists to-day as to goods taken out of bond, there is always applied to them the duty in force at the time of such withdrawal for consumption.

Mr. CLARK, of Missouri. If that amendment were added your interest in this bill would come to a sudden conclusion?

Mr. PEABODY. You mean if they were obliged to pay the duty now imposed upon them?

Mr. CLARK, of Missouri. Yes; if what Mr. Needham suggests were done—if the provision were inserted in this bill that the reduced rates of duty on sugar from the Philippines should not apply to sugar which is already in port in this country—if that were added your interest would come to a sudden conclusion?

Mr. PEABODY. I should still be interested for the Filipino. I should be sorry—

Mr. NEEDHAM. Don't you think that was a reasonable speculation, and that legislation should not be passed to benefit them to the amount of \$800,000?

Mr. PEABODY. I think they, as members of the Philippine community, as they have been for more years than I have been in business, contributing to the developing of those islands, and being the important factors that they are in the conduct of the commerce there,

should not be ignored; and I think they are entitled to be considered as Filipino interests, just the same as the sugar which is yet in the cane.

Mr. WILLIAM ALDEN SMITH. You say that the Filipinos sold this sugar?

Mr. PEABODY. Yes; they sold this sugar to these merchants.

Mr. WILLIAM ALDEN SMITH. So that it would not be helping them very much?

Mr. PEABODY. Yes; and the merchants have the sugar.

Mr. McCLEARY. What merchants?

Mr. PEABODY. Oh, merchants in the Philippines. There is an American merchant in New York that imported one cargo. I don't know who he is.

The CHAIRMAN. If I understand you, Mr. Peabody, this sugar was imported when the price was high, with the expectation of paying 75 per cent of the Dingley rates?

Mr. PEABODY. Yes—or less.

The CHAIRMAN. But the law was then 75 per cent of the Dingley rates.

Mr. PEABODY. Yes, sir; it was.

The CHAIRMAN. And when you got it over here the price of sugar had dropped?

Mr. PEABODY. Yes, sir.

The CHAIRMAN. So that to sell it and pay 75 per cent of the Dingley rates would make a loss on the importer?

Mr. PEABODY. Yes, sir.

The CHAIRMAN. Now you think Congress ought to come to the rescue and make that good?

Mr. PEABODY. It has always been the case in former instances. But my interest in Philippine reduction does not commence there. There are gentlemen here who know that I always urged as strongly as possible the reduction of these duties and said it ought to be granted. I did not then know of these shipments and could not foresee the result at that time.

Mr. HILL. This legislation would not affect you pecuniarily or personally?

Mr. PEABODY. No, sir; oh no. I have just as much right to sympathize with my friends Smith, Bell & Co. as I have to sympathize with the Filipinos.

Mr. CURTIS. How much duty would it be?

Mr. PEABODY. It would be about \$15 a ton, and that would be about \$520,000 on 35,000 tons.

Mr. WILLIAM ALDEN SMITH. You say these men are friends of yours?

Mr. PEABODY. Yes.

Mr. WILLIAM ALDEN SMITH. Are they Americans or foreigners?

Mr. PEABODY. It is an English house that has been there over fifty years. We are their correspondents. We do a large business in hemp and in sugar incidentally. We never did any sugar business before but one cargo, and that was sent as this one was sent, with the hope that during the process of shipment there would be a further reduction of duty, which would benefit them. Nobody has ever made any money on sugar since we have been in the islands.

Mr. DALZELL. Is that sugar in two or three hands, or in one hand?

Mr. PEABODY. It is principally in the hands of my firm.

Mr. DALZELL. It is not in the hands of Mr. Havemeyer or Mr. Arbuckle?

Mr. PEABODY. No, sir.

Mr. DALZELL. I thought they were the only buyers there; but they have not bought it?

Mr. PEABODY. No. I should explain, in connection with the sale of sugar; that this is all muscovado sugar. It is all made by hand work, so that it contains a great deal of the molasses element. It is of a dark color and of a low polarization and consequently it is in less demand in this country than the centrifugal sugar, such as would be produced if this bill would go into effect and establishments made there to make the same kind of sugar that is made in Cuba. But this is only used by one of the buyers to make what is called soft sugar. They do not put it into the granulated sugar at all, but into soft sugar. It is sold at a lower price than granulated.

Mr. CLARK, of Missouri. I want to get it straight about this sugar. It belongs to an Englishman?

Mr. PEABODY. Well, I have been interested in the ship-subsidy bill for a good while, and when the word "citizen" occurs in that bill it is understood to mean citizen of the United States or a corporation formed under the laws of the United States or any State or Territory thereof. So it seems to me that this firm, whether incorporated or not, should be practically considered as Philippine citizens if they are in business in the Philippines.

Mr. CLARK, of Missouri. Your house is simply a commission house, and you don't own any of this sugar?

Mr. PEABODY. No, sir; not any of it.

Mr. WILLIAM ALDEN SMITH. But you own the ships that brought it over?

Mr. PEABODY. No; two cargoes came in ships bearing the American flag, which belong to the Atlantic Transport Company.

Mr. WILLIAM ALDEN SMITH. But you own the ships?

Mr. PEABODY. I only own a very small part of one ship.

The CHAIRMAN. Gentlemen, it is necessary to suspend now, and the committee will therefore take a recess until 2 o'clock this afternoon.

Thereupon, at 12 o'clock m., the committee took a recess until 2 o'clock p. m.

AFTERNOON SESSION.

The committee reconvened at 2 o'clock p. m., Hon. Sereno E. Payne in the chair.

Members present: Messrs. Dalzell, Grosvenor, McCleary, McCall, Hill, Boutell, Curtis, Needham, Smith, Clark, Cockran, and the chairman.

The CHAIRMAN. Do you desire to be heard further, Mr. Peabody?

Mr. PEABODY. Yes, sir.

STATEMENT OF MR. HENRY W. PEABODY—Continued.

Mr. Chairman, I would like to reaffirm my statement that the sugar I spoke of in New York belonged to strangers, people who were utter strangers to me; but if this phase of the question did not exist I would be just as earnest in my appeal to you not to enact this

law, or any law reducing or repealing this tariff, as I am now. But inasmuch as the question has been raised by your inquiries, and I have stated to you that our friends there, who are merchants and business citizens of the Philippines, own 32,000 tons of sugar in New York, I desire to say that I appeal in their behalf, besides the general appeal that I make to you, that you will not take measures to exclude their holdings and the holdings of other parties from the benefits of the proposed reduction.

It is the intention of the McKinley bill and of the Dingley bill to provide that goods entered, when taken out for consumption, when they are actually withdrawn, shall have the benefit of the duty or shall pay that duty which is ruling at the time of the withdrawal. Section 33 in the Dingley tariff law expresses particularly that "on and after the date when this act shall go into effect, all goods, wares, and merchandise previously imported, for which no entry has been made, and all goods, wares, and merchandise under bond at warehouses for transportation or any other purpose, for which no permit of delivery to the importer or the agent has been entered, shall be subjected to the duties imposed by this act and no other duty, upon the entry or withdrawal thereof." A section similar to that was appended to the Porto Rican tariff act.

The CHAIRMAN. You will remember that in the Dingley Act the duties generally were increased.

Mr. PEABODY. Yes, sir.

The CHAIRMAN. So that it would be in favor of the Treasury and against the importer, as a rule.

Mr. PEABODY. I am not aware whether it was in the Wilson tariff, but I know that it was in the Porto Rican reduction bill, and I submit that it was—

The CHAIRMAN. There was an amendment put on the Porto Rican bill which did provide in general terms the same thing, and in that case it proved to operate in favor of the Government.

Mr. PEABODY. I do not see where there is any special inducement for American capital to go to the Philippines, under our present duty, at the present time; but I can see that there would be a great stimulus for American capital in going there and establishing the modern machinery to properly manufacture sugar from cane, saving the 50 per cent loss which is now incurred, and placing it in the condition of a much more merchantable character of product, that of centrifugal sugar, which commands the highest price; and I believe that in that way the Philippine Islands and their products would be immensely benefited. I am not desirous that there should be a large exploitation of sugar lands, irrespective of the lands now cultivated. I think it would be far better to induce capital to locate moderate-sized centrals which would produce the same amounts as in Cuba, and enable the farmers who raise the cane to deliver it to the nearest central and receive their money or their proportion of the sugar. In that way those who are now raising the product will be enabled to raise it to greater advantage, and the total production will not be unduly stimulated to the injury of the world's production and the imports into this country.

It may be interesting for me to state the sources of the sugar which is now used in our country. In addition to our product of beet sugar, which amounts this year to 265,000 tons, and of cane sugar, 320,000

tons, there is the Hawaiian sugar, which amounts to 370,000 tons, and Porto Rican sugar, 170,000 tons, making a total of 1,125,000 tons. Not all of that comes to this country from our possessions, but probably something over 100,000 tons altogether come here.

Then we had from Cuba, 938,585 tons; from the West Indies, 96,095 tons; from Java, 353,916 tons; from Europe, 3,571 tons; from the Philippines, 44,841 tons; from Brazil, 21,333 tons, and from other foreign sources 18,769 tons, making a total for the last forty-eight weeks, from January 1, of 1,477,110 tons, irrespective of such quantities as have been landed in California, the total consumption of the United States being something approximating 22,180,000 tons, of which 1,000,000 tons is raised in our country or in our possessions.

The world's product is divided into two great classes. The production of beet sugar in Europe this year is the largest that it ever has been, being 6,800,000 tons, which, with the United States product, makes 7,865,000 tons. The total cane production in 1905 was 4,908,000 tons. This gives a total of 11,973,000 tons.

I remarked this morning that the high prices were caused by the falling off of the production of beet sugar in Europe in 1904. The production then fell down to 4,700,000 tons. It had been before almost as high as it is this year. Such a contraction resulted in the possibility of a scarcity, which raised the price. The present low price is incident to the reverse conditions. The beet-sugar planters in Europe increased their plantings over the previous year in excess of 2,000,000 tons; and our own sugar-beet planters raised their product from over 200,000 tons to 265,000 tons.

Mr. WILLIAM ALDEN SMITH. What years are these?

Mr. PEABODY. This year.

Mr. WILLIAM ALDEN SMITH. Your figures are for this year?

Mr. PEABODY. I mean the sugar product. They planted beets enough in this country to produce 265,000 tons of sugar.

Mr. WILLIAM ALDEN SMITH. And you say that the European beet-sugar producers increased their output?

Mr. PEABODY. Two million tons.

Mr. WILLIAM ALDEN SMITH. This year?

Mr. PEABODY. Yes, sir; consequently the stocks are as excessive at the present as they were limited a year ago, and the price is very low. At the same time the price is now—the latest price, which I got to-day—8 shillings $2\frac{1}{2}$ pence in Europe, which, offhand, we may take as being about a cent and three-quarters for the raw beet sugar in Europe.

Mr. WILLIAM ALDEN SMITH. Where do you get the figures on the European output of beet sugar?

Mr. PEABODY. I get them from the circular of Willett & Gray this time. I have it with me here.

I have it with me here.

Mr. WILLIAM ALDEN SMITH. Then the bounty has had no effect?

Mr. PEABODY. It has had effect. I will explain that presently. The price of sugar at 8 shillings $2\frac{1}{2}$ pence is really lower to the producer in Germany, France, Russia, and all parts of Europe than it was before the bounty was abolished at 6 shillings. It is said to be statistically lower than it ever was before at the present time and unprofitable to the farmer. The reason of that is that formerly they had a bounty, and they were destroying the cane-sugar business of the

world; and the bounty business was brought about in this way: England had possessions where they raised sugar, and they were being impoverished just as Cuba was being impoverished before we lent her a helping hand, and England threatened to these European beet countries that unless they changed their policy and reduced their duty on foreign sugar and abolished their bounties she would put on a countervailing tax equivalent to all the bounties of every sort that was paid there.

The CHAIRMAN. All that history is very interesting, but it has not a very intimate connection with this business here.

Mr. PEABODY. I will drop it out, then, if you so desire. I was only explaining how this bounty business affected this business to-day.

The CHAIRMAN. It is not necessary to go back and give the history of it, because the members of the committee are familiar with it. As far as it affects the conditions to-day, that is pertinent to this inquiry.

Mr. PEABODY. England is not entitled to complain of any effort we make to raise the price of cane sugar in the Philippines. She entered into this compact with these countries to prevent an unnatural and extraordinarily low price being established, which would injure her sugar possessions. The statement was made yesterday or to-day that there were penalizations upon Cuban sugar and other sugars in Europe. I do not know what relations there may be established in the beet-sugar countries of the Continent, but I know that so far as England is concerned there is no obstruction to the importation of Cuban sugar, any more than any other foreign country's sugar; and, indeed, at the present time sugar is being shipped there from Cuba because the price in this country is so depressed that they can make a better turn by shipping to London than by shipping it to New York.

The CHAIRMAN. Is it going in considerable quantities to England?

Mr. PEABODY. Several cargoes are being shipped. I have that information to-day from my firm in New York, to whom I applied for information on that point.

The CHAIRMAN. Have you any information as to the actual imposition of this countervailing duty now against Cuban sugar by any country?

Mr. PEABODY. There is not any that I am aware of, and I have taken pains to inquire in New York, and it seems to me not the intent of the convention. It is to prevent the people on the Continent from putting direct or indirect bounties that will make an artificial low price for that sugar. It is not the Philippine sugar that will cause the trouble of low prices in the world. This is a question of over-production. If there is any class to be condemned for producing too much sugar it is this aggregated beet-sugar interest of Europe, which has run into such extraordinary figures. But now that they are upon an even basis, and there is no artificial bounty to support them, they are competing with the cane countries, and the cane countries, by making this convention, have realized an approximate advantage in the lowest market price of about a half a cent a pound; so that the countries of the world are realizing—Cuba, for instance, is realizing—for cane sugar 2 cents a pound, whereas in the extreme low prices of several years ago Cuba only got 1.5 to 1.6 cents a pound for sugar in bags put on board vessel down there.

Mr. WILLIAM ALDEN SMITH. When you spoke of England not dis-

criminating against these sugars, you meant that her market was open to producers?

Mr. PEABODY. Just as much available without any charge as from Jamaica or from any other country.

Mr. WILLIAM ALDEN SMITH. That is the only open market in the world?

Mr. PEABODY. I know of no other country that is free of duty.

Mr. WILLIAM ALDEN SMITH. And that grows out of her fiscal system, so that it is not any favoritism?

Mr. PEABODY. Yes, sir.

Mr. WILLIAM ALDEN SMITH. What is your business?

Mr. PEABODY. I am a merchant in general foreign trade, and have been all my life.

Mr. WILLIAM ALDEN SMITH. Are you interested in the steamships that ply between this country and Australia?

Mr. PEABODY. I am interested in one line of steamships and sailing vessels.

Mr. WILLIAM ALDEN SMITH. Is that an American line?

Mr. PEABODY. No, sir; we have to use foreign vessels.

Mr. WILLIAM ALDEN SMITH. What flag do you sail under?

Mr. PEABODY. We charter vessels. Usually it is the British flag. We have loaded home two vessels under the American flag with beet sugar.

Mr. WILLIAM ALDEN SMITH. So that you are interested in our imports?

Mr. PEABODY. Yes; very largely; and would be very glad to use American vessels if we could; and am very much in favor of subsidy measures, also.

Mr. WILLIAM ALDEN SMITH. I suppose if you merely carry the product to the market you do not get much out of that product?

Mr. PEABODY. No, sir.

Mr. NEEDHAM. This morning you stated that there were only two buyers of raw sugar in this country. Who are those buyers?

Mr. PEABODY. The American Sugar Refinery is the only one that maintains machinery for the treatment of these sugars.

Mr. NEEDHAM. That is, Havemeyer?

Mr. PEABODY. Yes, sir. I have finished, Mr. Chairman. I shall be glad to answer any questions.

Mr. WILLIAM ALDEN SMITH. That last answer prompts me to inquire whether they, having the only facilities for refining this Philippine sugar, would, of course, have a virtual monopoly of the purchase of that sugar?

Mr. PEABODY. Yes, sir; practically.

STATEMENT OF HON. FRANCIS G. NEWLANDS, SENATOR FROM NEVADA.

Mr. Chairman and gentlemen of the committee: I was with the so-called Taft party in the Philippines last summer, and became greatly interested in conditions there. I am desirous of helping, so far as I can, any proper legislation that will advance the prosperity of the Filipino people. I realize, of course, that legislation tending in that direction must, so far as the tariff is concerned, originate in the House of Representatives, and inasmuch as such legislation

may receive a certain impetus before it goes to the Senate, which may prevent any remedy there, I thought it best to present my views here, in the hope that they might make some impression upon the action of the House of Representatives.

In the first place, whatever legislation we indulge in regarding the Philippines must have some reference to our future policy. If we intend to hold the Philippines permanently our tariff policy should be different from that which would obtain if our intention is only to hold them until the Philippine people are ready for self-government. But, without introducing partisan politics at all into the discussion here, I think it is perfectly clear from the action of both parties that the purpose is not to permanently retain the Philippines. The Democrats have declared to that effect in two campaigns, and have indicated their wish to give the Philippines a positive assurance of independence, the time of the realization of that independence being left somewhat uncertain. And so far as we can get any expression from the Republican party their view is that they hold the Philippines as a trust and not as an asset. They do not regard them as a part of the United States, and do not intend to make them a part of the United States. They take the view that the United States is in the Philippines not because we want to be there, but because circumstances compel us to be there, and that we have a certain trust to discharge to the cause of civilization and to the Filipino people. I think that view is perhaps best expressed in the message of President Roosevelt, session before last, in which he declared that it was his earnest hope that sometime the Philippines would bear the same relation toward the United States that Cuba does, which means that they would have independence.

Now, taking that view, that we are discharging a sacred trust toward the Filipino people, and taking the view of Secretary Taft, which he has emphasized again and again, that the government there is to be administered for the benefit of the Filipino people, and not for the benefit of Americans, the question arises as to what is the best policy for the Filipino people—whether in our legislation here we shall take such action as will absolutely prevent the severance of the tie that binds these islands to the United States, in the future, or whether we shall engage in such legislation as will not prevent it, but will make it possible to facilitate it in the future.

As to the condition of these islands, there is no doubt that they are in a sad condition. I think it was correctly described in the report of the Manila Chamber of Commerce while we were there as a condition of financial collapse. They have had, in addition to the war, various calamities. They have had the cholera; they have had the rinderpest, which destroyed, I believe, over one-half of the water buffalo, the animal used there for transportation and agriculture, and when they sought to replace the buffalo by horses and mules the surra attacked them. They have had locusts and typhoons, and all nature seems to have been against them.

The revenue of these islands is not a large revenue. It never has been a large revenue, either under Spanish rule or ours. It is claimed by some that it is larger now than it was under Spanish rule, and that taxation is more oppressive than it was under Spanish rule. That, however, does not take into consideration the Spanish graft, from which, I am glad to say, these islands are not suffering

now, because I believe we have a very honest, as well as capable, administration there. But their total revenue is now, as I understand it, only about \$14,000,000 in gold, of which about \$8,000,000 is insular, about \$3,000,000 is municipal, and about \$3,000,000 is provincial. So that they have, to run the entire government of those islands, provincial, insular, and municipal, only about \$14,000,000. When you reflect that the government of the District of Columbia, with only about 300,000 people, costs about \$10,000,000, you can readily realize that \$14,000,000 is not a very large sum for the government of 7,000,000 people.

Now, what is the task which we have undertaken there? We have undertaken the task of teaching these 7,000,000 people self-government. Whether it is to be the self-government of a colony or the self-government of an independent republic makes no difference; the training is the same for either. And we regard education as a step in that direction, and we regard a common language as a step in that direction. The Insular Commission very wisely selected the English language as the common language—first, because the people are hostile to the Spanish language, although many of them speak it; secondly, because it is very much easier to adopt the English language there as the common language than it would be to adopt the language of any one of the tribes. There are in those islands about 2,000,000 people of school age. I think you will all agree that if a common language is desirable it is desirable that they should acquire it as quickly as possible. Within twenty years it is probable that over two-thirds—possibly three-fourths—of the population of the islands will be composed of the children who are now of the school age, so that it is possible within the next twenty years, if we go about it energetically, to make English the common language of those islands.

We are not, however, training those 2,000,000 children. We have 500,000 or 600,000 in the schools, but we have not sufficient funds to train them all. They show the greatest eagerness to learn the English language, but there are not school facilities and there are not sufficient teachers to instruct them. We have been obliged to export to the islands a large number of American school-teachers for the purpose of instruction in English, and the Commissioners have very wisely directed their efforts in the direction of instructing the Filipino teachers themselves. The Filipino teachers, of course, can be obtained at much less expense than the English teachers, and if the Filipino teachers can be instructed in the English language they can communicate it to the pupils. The total expenditure for education in those islands, with a view to training these people in a common language and also in the lines of self-government, is \$2,000,000. That sum ought obviously to be trebled. It ought to be \$6,000,000 or more per annum. And yet the total insular revenues, apart from the provincial and municipal revenues, are only \$8,000,000.

As to the form of the training, the Commissioners have concluded to make the training largely of a manual and industrial character, and in that I think they are very wise, for they not only have to teach these people the English language, but they must teach them how to work—the dignity of labor; and undoubtedly thus far the whole tendency of the Filipino mind has been to regard education as involving freedom from manual labor. I think that is the view that most people

take of education, and certainly the Filipino people share in it in a very large degree.

Now, as to their disposition to work. Everybody, of course, tries to escape manual labor. We all do, and all people who are educated do. And in those islands there is an additional tendency to laziness and indolence. The climate has the same influence upon the whites as upon the brown people. They all try to escape labor or exertion of any kind in the sun. The Filipino people have simply yielded to the effect of this enervating climate. No people could, I think, resist it. And then so little is required in food, clothing, or shelter that life without labor is comparatively easy.

There is no question but that the islands themselves have a productive soil; but if we look over the history of the Tropics we find that the advantages arising from a productive soil have not compensated for the disadvantages arising from the disinclination to work, and we find that in no case, I may say, has enterprise been successful in the Tropics except under a system of either slave labor or of forced labor. The fact is that we have a lot of romance about tropical wealth derived from the time when large fortunes were made by men who owned slaves or controlled forced labor, and also from the time when tropical products brought very high prices. But in the evolution of agricultural science the temperate region has beaten the tropical region in its own province, and to-day the bulk of the sugar and tobacco of the world is raised in the Temperate Zone, and those products used to be almost monopolized by the tropical regions. For instance, the profits of the Tropics are much less now with sugar at 2 cents a pound than they were when sugar was 8 or 10 cents a pound; and we find that in the Tropics there has been economic distress for a great many years, due largely to the low price of sugar. That has been the case with all the West Indies, and it was this distress that led to the revolution of Cuba against Spain.

The world's price of raw sugar to-day is about 2 cents a pound, or \$40 a ton. In this country the price of raw sugar, duty paid, is about $3\frac{3}{4}$ cents a pound, or \$75 per ton, and the price is that simply because our duty amounts to about $1\frac{1}{4}$ cents a pound, or \$35 per ton. So that in this country duty-paid raw sugar is worth \$75 a ton, as against \$40 a ton in the world's market. We can understand, therefore, why Cuba wanted to get into our market. She would, of course, have been glad to have gotten \$75 a ton instead of \$40 a ton for her sugar, and the reduction of 20 per cent in the duty, amounting to about \$7 a ton, was of course a great advantage to her. The fact is that, so far as the sugar industry is concerned, Porto Rico, Cuba, and Hawaii are supported, practically, by subsidies paid by the American consumer. We consume in this country annually about 2,500,000 tons of sugar, and we produce on this continent here not more than 600,000 or 700,000 tons, and the balance must be gotten from the outside. So the Dingley tariff imposed this duty partly for the purpose of stimulating the production of continental American sugar and partly for the purpose of securing revenue.

Porto Rico raises 100,000 tons annually, and she has free access, of course, to this market with her sugar, so that she gets \$35 a ton more for it than she can get anywhere else in the world; and this amounts on her production to \$3,500,000 more annually than she could get

elsewhere, which, if it had not been for the relation which she sustains to us, would go into the Federal Treasury to relieve the burden of the general taxpayers.

Mr. NEEDHAM. What has been the increase in the acreage of sugar lands in Porto Rico since we gave her that increase?

Senator NEWLANDS. I do not know, but the increase in Cuba has been very large. Now, instead of giving Cuba \$35, we give her only \$7 a ton, or about one-fifth off. She produces 1,000,000 tons of sugar annually, and it is said that this next year she will produce 1,300,000 tons; so that we give her \$7,000,000 annually more than she could get anywhere else in the world for her sugar, and that makes Cuba prosperous; but if it was not for the relation that Cuba bears to us that \$7,000,000 would go into the Federal Treasury instead of into the pockets of Cuban planters.

As to the Hawaiian Islands, their product is 400,000 tons annually, and they get \$35 a ton more than they could get anywhere else in the world; they get annually, therefore, about \$14,000,000 more than they could get elsewhere, and that constitutes the subsidy that Hawaii receives. So that you see, as to those three islands, the prosperity that they have comes largely from the subsidy paid by the American consumers.

In the Philippine Islands the sugar production has been on the wane. The largest production there was 400,000 tons. It has been reduced, however, to about 75,000 tons. The Philippine Islands have been compelled to accept the world's price for sugar, the same price that Java, their neighbor, receives. But Java has not the advantage of a protected market, and Java raises pretty nearly as much sugar as Cuba. There has been no system of forced labor there such as there has been in Java; there have been no such efficient methods of administration as there have been in Java. Their methods are very crude; their methods of cultivating, of bringing the cane in to the central mill, of grinding it, and all these things have been very crude, and they have not been able to make the sugar so cheaply that they could accept the world's price of \$40 a ton. And so they want to get \$75 a ton for their sugar, and they ask us to remit that duty so that they can get it. If we do it of course it means \$14,000,000 more is taken out of the Federal Treasury that otherwise would go into it, and we will have an aggregate of about \$40,000,000, therefore, paid by the American consumers to all these tropical islands as subsidies for sugar production, and our Treasury will lose that \$40,000,000. So that we have got to face the question of reducing our revenue from sugar at a time when a deficit is already realized.

Now, why is it that the Philippine Islands can not accept the world's price? I have already stated it. They have the soil, there is no question about that; they have just as good a soil as the Hawaiian Islands; it is of the same volcanic formation, pretty nearly as good a soil, I imagine, as Cuba's. The climate is about the same, because they all lie in the same region, below 21°. So the question is now whether, when we are helping these people to be self-supporting and self-sustaining, and endeavoring to train them in capacity for self-government, we should train them in economic methods which will enable them to accept the world's price of sugar or whether we shall give them almost double the world's price as a sub-

sidy and encourage them in habits of absolute thriftlessness. It is said that not very much sugar will come over here anyway from the Philippines. Well, if this legislation is not intended to increase the production of sugar there, why pass it?

Mr. GROSVENOR. If you will allow me at that particular point, I would like to make a suggestion. That very question which you have suggested was one of the things that puzzled me a great deal, and finally, as you will remember, I asked that of one of the gentlemen who testified before us there, when he in substance said, first, that it would be of very great benefit to them to reduce this tariff, and, secondly, said that the sugar would not come in anyhow, under any circumstances, which must be true, as you have just now stated.

Senator NEWLANDS. Yes, sir.

Mr. GROSVENOR. The next proposition that he finally answered there was this: He said that as long as this tariff stood as a barrier between the United States market and the sugar production of the Philippine Islands the Chinese merchant, who is the real buyer of that sugar, could fix his own price with an eye to this very barrier.

Senator NEWLANDS. Yes, sir.

Mr. GROSVENOR. And that if we would take this out of the way it would benefit them that much, while still the sugar would practically all go into the Chinese market. I would like to have your view of that.

Senator NEWLANDS. I regard that reasoning as entirely fallacious, and I will give my reasons. There is a world's price of sugar, which is the same throughout the world, differences in freight being adjusted. The price of sugar, those differences being adjusted, is the same in London as it is in Hongkong. Now, it is true that most of the Filipino sugar has gone, I believe, to Hongkong, because that is the nearest market, being only a thousand miles off. So that, assuming that the world's price is the same, it would be cheaper to sell it there because the freight would be much less. But Hongkong has to pay the world's price for raw sugar just as every other place has; and if Hongkong wishes to get its sugar from the Philippine Islands at a less price, all the Philippine Islands have to do is to send their sugar to India or to Bremen or the other German port—Hamburg—or to London. The cost of the transportation is not very great to any of these points, aggregating not more than \$5 a ton, or a quarter of a cent a pound.

Mr. CURTIS. Do you not remember that several of the witnesses testified that the price of raw sugar was the New York price less the freight from Hongkong to New York, and that raw sugar is the kind of sugar that is bought by the Chinese?

Senator NEWLANDS. Yes; I believe that was stated. But does not that bear out what I say?

Mr. CURTIS. Hardly, because if we reduced the duty the price of sugar in New York would be increased by the amount of reduction of the duty, and it would increase the value of the sugar that much in Hongkong.

Senator NEWLANDS. The value of their sugar at Hongkong; but the Hongkong buyer will not buy it. He will turn to Java, which is only a little way off, and buy the sugar there at the world's price. Then what will the Filipino planter say to the Hongkong merchants?

He will say, "It is true that the world's price is 2 cents a pound, but I can get $3\frac{1}{4}$ cents a pound in America, and you have got to pay it." The Hongkong merchant says, "The price of raw sugar in Java is 2 cents a pound, freight paid to Hongkong. I will get my sugar in Java instead of paying you nearly double the price for your sugar."

Mr. GROSVENOR. What is the total production of sugar in Java?

Senator NEWLANDS. About a million tons. The price of refined sugar in this country is about 4.17 cents.

The CHAIRMAN. The testimony here yesterday was that is was 4.12 on Michigan sugar.

Senator NEWLANDS. I am talking now of refined cane sugar.

Mr. HATHAWAY. If I may be permitted I will give that. The present price in the New York market, although no sales are made on that price and no sales have been made practically since the 21st or 22d of October, is $4\frac{1}{2}$ cents a pound, less 1 per cent for cash in seven days.

The CHAIRMAN. What would you sell your sugar for?

Mr. HATHAWAY. That is a different question.

The CHAIRMAN. That is the question that I am trying to get at.

Mr. HATHAWAY. I will give you that. That price that I have just quoted is an advanced price over the price at which sugar had been sold—all the sugar that was needed—up to January 1. The price for sugar in the city of Chicago for all sales up to January 1—cane sugar—was \$4.48 a hundred.

The CHAIRMAN. Will you not please answer my question and tell me what you sold yours for, as stated here the other day by yourself?

Mr. HATHAWAY. Just a moment. That price was \$4.48 a hundred, making the price of our sugar to Chicago \$4.38. When we prepaid the freight and took off the 1 per cent discount that left the net price of beet sugar sold in Chicago, for delivery up to January 1, to be a fraction over 4.17 cents a pound. If sold anywhere in central Wisconsin or Iowa it nets down to 4.09 cents. The average price that we have received this season is about 4.12 cents.

The CHAIRMAN. Now we have got it.

Senator NEWLANDS. You say the price of cane sugar in New York to-day is \$4.50 per 100 pounds?

Mr. HATHAWAY. Yes, sir.

The CHAIRMAN. Has it been any higher than that in the last five years?

Mr. HATHAWAY. Yes, sir.

The CHAIRMAN. What has it ranged to?

Mr. HATHAWAY. The highest price that I have known cane sugar to bring in New York was \$6.09 minus 24 cents. That would be what?

Senator NEWLANDS. \$5.85.

Mr. HATHAWAY. Yes; \$5.85.

Senator NEWLANDS. Am I correct in stating that for the past four or five years the price of cane sugar, refined, in this country has varied between $4\frac{1}{2}$ cents and $5\frac{1}{2}$ cents or $5\frac{1}{4}$ cents a pound?

The CHAIRMAN. It has sold below $4\frac{1}{2}$ cents, has it not?

Mr. HATHAWAY. I think not, in New York.

The CHAIRMAN. That high price lasted a couple of months, or how long?

Mr. HATHAWAY. There was a steady rise in the market a year ago

between the first of November and the middle of May, the tumble taking place about the middle of May. The high price held between the latter part of January and the first of March.

The CHAIRMAN. And for the remaining time during that four or five years sugar has been about $4\frac{1}{2}$ cents?

Mr. HATHAWAY. No, sir; I would not say quite that low. I have not my papers here, and I do not remember the exact figures on the average price.

Senator NEWLANDS. If you have the Statistical Abstract here I can give you the prices.

The CHAIRMAN. We just want the information now.

Senator NEWLANDS. I would state that I looked over the Statistical Abstract the other day, and I think that I am correct in stating that for many years now the price of cane sugar, refined, in the New York market has been upward of $4\frac{1}{2}$ cents a pound.

The CHAIRMAN. I guess that is so. It has been below 5 cents.

Senator NEWLANDS. Very well. In Denver the price is 6.45 cents—from 5.35 to 6.45 cents in 1905. Now, what are the elements of that price? We will assume that the average price has been $4\frac{3}{4}$ cents a pound for refined cane sugar on the New York market. What are the elements of that price? The charge that is imposed for refining that sugar is 1 cent per pound, of which about 65 per cent is the cost of refining and 35 per cent is the profit of refining. Now deduct that charge of 1 cent per pound for refining and then deduct the duty, which is $1\frac{3}{4}$ cents per pound, from $4\frac{3}{4}$ cents per pound—the average price of refined sugar in New York—and you have 2 cents a pound as the world's price for raw sugar. Of course the price of raw sugar varies throughout the world. The duty does not vary and the charge for refining does not vary, but the cost of the production of raw sugar does vary in the markets of the world, and when you find that the price of raw sugar in the New York market is below $3\frac{3}{4}$ cents per pound it means the value of raw sugar in the world's market is below 2 cents a pound.

Now, I am simply generalizing when I say that the world's price is \$40 a ton. But suppose that the Filipino planter goes to the Hongkong refiner, who has been accustomed to pay the world's price, and says to him, "I can get, not 2 cents a pound, but $3\frac{3}{4}$ cents a pound in New York for my sugar, and it only costs me a quarter of a cent a pound to carry it there, and so you must pay me $3\frac{3}{4}$ cents a pound, less the one-quarter of a cent freight," the Hongkong refiner will say to him simply this, "I can buy sugar in Java for 2 cents a pound, and I will not pay that price to you."

The CHAIRMAN. You are not taking into account the 1 cent loss because of the low degree of that sugar from the Philippines.

Senator NEWLANDS. Of course I should say with reference to that that the Filipino sugar is of a low degree. But we are assuming that it is going to be made of high degree. It is of a low degree because of the miserable, dirty methods they employ in making it. That sugar, of course, is away below 96 degrees. But we certainly ought to instruct them in the perfect methods and not encourage them in the imperfect methods which they have been employing. There is no trouble about producing 96-degree sugar from the cane grown in the Philippines.

The CHAIRMAN. Then the cost would be advanced just as it is in Hawaii. They have the advantage of the sugar market of the world, and they have the advantage of the market of the United States free and still make 7 per cent about on their capital, and they are complaining about that.

Senator NEWLANDS. And all of their product goes to the United States and none of it elsewhere. So that when we have all the sugar of Porto Rico and all the sugar of Hawaii and all the sugar of the Philippine Islands coming to the United States as the result of favored tariff relations, is it not folly to say that practically all of the Philippine Islands sugar will not come here?

The CHAIRMAN. Is it not a fact that all the Cuban sugar has been coming to the United States ever since you and I can remember?

Senator NEWLANDS. It comes here because it has a better price.

The CHAIRMAN. It did not get any better tariff terms up to a year or two ago.

Senator NEWLANDS. But this was the nearest point, and they saved freight and hence it came here. Sugar will always go to the place where it can get the best price, and if the New York refiners are compelled to pay 2 cents per pound for imported raw sugar and then to pay $1\frac{3}{4}$ cents per pound for duty, making the total cost for imported raw sugar $3\frac{3}{4}$ cents per pound, they will pay the Philippine producers $3\frac{3}{4}$ cents per pound for duty-free sugar; and as the Hongkong refiners will not pay more than the Java price of 2 cents a pound, the whole Philippine product will necessarily go to the United States. The Hongkong market is now largely supplied from Java; so it seems to me absolutely fallacious to say that all this sugar will not come to the United States. If it will not come to the United States, there is no object in this legislation for the Philippine Islands; and if it does come here, of course it takes so much money out of our Federal Treasury which it has hitherto been accustomed to receive.

Now, I ask, what shall we do? Shall we support these people on the nursing bottle of subsidy, or shall we teach them to pursue the economic methods of Java, so that they can afford to accept the world's price? And what is it necessary to do in order to accomplish that? Why, in the first place, you have got to provide for concentrating their sugar holdings into large plantations of, say, 5,000 acres—from 3,000 to 5,000 acres. Each plantation must have a central sugar mill, costing, say, a million dollars, and must have a radial system of railroad stretching out all over the plantation, so as to bring in the cane as cheaply as possible—

Mr. WILLIAM ALDEN SMITH. Just as they do in Cuba.

Senator NEWLANDS (continuing). And they must have up-to-date sugar mills. When they have all those things they ought to be able to produce sugar just as cheaply and just as efficiently as Java does.

Mr. GROSVENOR. How about the labor? It is practically slave labor, is it not?

Senator NEWLANDS. It has been a forced labor. The profit of sugar production in Java generally has been declining as the forced labor system has been relaxed.

Mr. HILL. There is no forced labor system in Java any more than there is in Singapore.

Senator NEWLANDS. I do not know how that is now. But at all

events the civilized sentiment of the world will not stand a system of forced labor anywhere. And I am told that in Java the system of forced labor has gradually relaxed, and there is little doubt but that in time all the Dutch Indies will be a great tax upon the country which owns them. I imagine that if we were offered to-day all the Dutch Indies we would not take them, and I imagine that if prior to Admiral Dewey's victory the Philippines were offered to us ten times over we would not have taken them. But we are now training and teaching the people of the Philippines, economically and intellectually, and the question is, What is the best thing to do?

Now, you ask how they are to be trained in good methods. They are already started in that direction now. They have a commissioner of agriculture there now, just as we have here, who is a man of intelligence and who has his assistants and is making scientific studies of the soil, its adaptation to certain crops, and everything of that kind. Then you say they have not any capital. That is true, and we have got to furnish them with the capital. But how shall we do it? By organizing an agricultural bank there and giving them the capital necessary to run it. You say that that is going into the paternal business; but what is the entire government there but paternal? We hesitate over here to enter into any form of government ownership because of the complicated system of our government, but there they have a paternal government, a Commission composed of men who would grace any board of directors in the United States; men, in my judgment, capable of managing any enterprise. I suppose you know that the directors of most corporations in this country are not familiar with the details of the business in which they are engaged. They employ skilled men and capable administrators and put them in charge. And the members of this Commission are just as capable of making such selection as any board of directors in the United States, and through expert examiners, etc., they can keep track of the operations of such a bank and supervise its operations.

Agricultural banks are nothing new in governmental policy. England established an agricultural bank in Egypt. Germany has established several agricultural banks, and these banks are now engaged in promoting the segregation of large areas of land in Germany and helping farmers to buy on long time; and in Ireland itself we have a system resembling that of agricultural banks, because there, under the land act, large estates are being divided up and sold to farmers who are aided by the English Government. So that it is not a new idea. It has been successfully carried out in all these places.

Now, the question comes, how would you get the capital, and how much capital would it require? I do not believe that it would require more than \$10,000,000 of capital.

The CHAIRMAN. Aguinaldo said that it would require \$300,000,000 in his scheme.

Senator NEWLANDS. But Aguinaldo was a dreamer.

The CHAIRMAN. I thought so when I read what he said about an agricultural bank.

Senator NEWLANDS. But you can not accuse the German Government of idealism, or the English administration in Egypt of idealism. They are hard-headed, practical administrators.

Mr. GROSVEOR. Do you believe that the American Congress would ever give serious consideration to a provision for establishing a bank like that?

Senator NEWLANDS. I think it ought to. Now, how can that \$10,000,000 be raised? I would permit the insular government there to issue its bonds for \$10,000,000, and I would have the United States Government guarantee those bonds so that they could get the interest down to about 2½ per cent, and then I would have the insular government organize this bank with about \$10,000,000 of capital.

Then what is the operation? Why, simply the usual operation of savings banks or trust companies. These men who have sugar plantations, etc., are informed that they can have the capital which is required to put their plantations into a condition of the highest efficiency, the bank taking as security not only the improvements upon the plantations, but the plantations themselves, and itself appointing some capable men from the insular agricultural bureau to supervise the expenditures. The very low rate of interest which this bank would have to pay—2½ per cent—would enable it to make a profit out of these people at reasonable rates of interest. Five or 6 per cent a year is a very reasonable rate there. Those rates are exceedingly reasonable, because they are often compelled to pay from 3 to 5 per cent per month. The bank's capital would constitute a revolving fund, by means of which plantation after plantation could be picked up and put into proper economic condition.

You have, then, the security. If the country is worth anything the security is good. If the country is worth nothing, the United States has lost \$10,000,000 on that operation. But that is much better than giving the Filipino people hundreds of millions in sugar subsidies raised from American consumers of sugar.

Mr. WILLIAM ALDEN SMITH. The banker, then, becomes a mere fiscal agent, and has no interest in this enterprise?

Senator NEWLANDS. I would trust the entire matter of the organization of this bank to that insular Commission. My judgment is that we should give them as free a hand as possible in the administration of these islands, and I would not bind them at all as to the method of carrying this out. They might organize a bank in which private parties might take half of the capital, or some portion of the capital, and that capital might be increased in that way.

Now, you say, "But you are liable to lose \$10,000,000." But what will that amount to as compared to the loss of \$14,000,000 annually for a period of twenty or thirty years in the way of duties upon sugar? Because if you remit these duties here and give them \$35 a ton on their sugars—\$35 a ton more than they can get anywhere else in the world—is it not reasonable to suppose that the production of sugar in those islands will increase to the maximum production of years ago, namely, 400,000 tons?

Mr. GROSVEOR. In what year was there a production of that much?

Senator NEWLANDS. It was prior to the civil war there.

Mr. CURTIS. Somewhere in the eighties, was it not?

Senator NEWLANDS. I do not remember.

Mr. HILL. I have the figures for the last twenty years, and I can not find anything higher than a little over 200,000 tons. This is for export, and I assume that there would be something to be allowed for the home consumption; but that does not add materially.

General WRIGHT. My information from various sources is that 300,000 tons is the maximum amount that they ever raised, and that includes home consumption, as well as export.

Senator NEWLANDS. My statement is based upon the statements that were made at the hearings in Manila. I may be mistaken, but I do not think so.

Mr. GROSVENOR. Are not large areas of the lands that in those early days were used for the growing of sugar now used for the production of hemp and rice and cocoanuts?

Senator NEWLANDS. I do not think that much of that land has gone into hemp. Hemp is grown in the mountains.

Mr. GROSVENOR. Not at all.

The CHAIRMAN. We saw some hemp right on the seacoast.

Senator NEWLANDS. The uplands are best for the raising of hemp, and most of the hemp is raised up there. But the product, of course, is shifting, and they will produce on any of those lands whatever is most profitable.

Mr. GROSVENOR. And that is hemp?

Senator NEWLANDS. Now, if they can produce hemp most profitably, why should you stimulate an industry that has declined from natural causes by giving it a subsidy?

Mr. HILL. Will they not also be governed largely by the crop which can be produced with the least labor?

Senator NEWLANDS. Yes; I suppose so.

Mr. HILL. Under that head are included both hemp and cocoanuts?

Senator NEWLANDS. Now, it is admitted that so far as hemp and cocoanuts are concerned they need no subsidy. We propose to give the producers of sugar a subsidy of \$35 a ton—nearly double the world's price—to stimulate the sugar production, and if the land of that country is better for other products, why give the sugar producers a subsidy and let them waste their industry and their money in building up a production of sugar, which, the moment that the tie between the islands and the United States is cut, will shrink to nothing?

The CHAIRMAN. Why will not the same argument hold good against the beet-sugar factories in the West, or in the East, or anywhere? We are giving that industry a bounty, the same as the Philippines. If we are giving a bounty by the reduction of duty to the Philippines, we are also giving the beet-sugar people a bounty.

Senator NEWLANDS. I am not speaking for them. My idea is that our people have been taxed entirely too high for sugar in order to promote a domestic industry; but this would be promoting an industry in which we have no interest, at our own cost.

Mr. WILLIAM ALDEN SMITH. Do you think the American people have been taxed too high to produce the tin plate that we are now using?

Senator NEWLANDS. I am not familiar with that question. That is something of a diversion.

Mr. WILLIAM ALDEN SMITH. But as a matter of fact you did not vote for the Dingley law when it was passed?

Senator NEWLANDS. I did not.

Mr. WILLIAM ALDEN SMITH. Although you were a member of the House at that time?

Senator NEWLANDS. I did not. Now, I wish to say with regard to this sugar question that as long as the duty in this country either promoted the continental production of sugar or went into the Treasury of the United States to sustain the general burdens of the Government, it could perhaps be defended; but now it is taking the shape of a diversion of that money from the Federal Treasury to the support of tropical islands, and we are in danger of losing almost all of it in time to these islands and getting no revenue from that source. If this policy continues, you will find that the time will come when these tropical islands will produce all of the sugar that the United States requires, and that those planters in those islands will get the money that ought to come into the Federal Treasury.

With reference to this agricultural bank, I have stated that \$10,000,000 would be required, and if we lose that \$10,000,000 we lose only that amount, and we lose it in an experiment to train these people to self-government. We have already spent three or four hundred million dollars, and are spending about \$20,000,000 annually in the way of military expenditures there. The addition of \$10,000,000, not annually, but in a lump, will not seriously add to our embarrassment, and we are simply following the line of experiment that has already been successfully pursued in Ireland, Germany, and Egypt.

Let us just consider for a moment what this subsidy is going to amount to in the next twenty years. We will assume that in twenty years we could train all the Filipino people in a common language and in manual and industrial pursuits and so prepare them for self-government; that we could cut the tie that binds the islands to us and bid them godspeed. During those twenty years, if they raised their production of sugar to 400,000 tons annually, they will have diverted from the Federal Treasury \$280,000,000 in subsidies. Is it wise to give the \$10,000,000 for the bank in order to advance them in economic independence or to give up \$280,000,000 in subsidies for the purpose of promoting their economic dependence, and what will be the best condition for those islands, a condition where they are absolutely dependent on this subsidy or a condition where they have been trained so that they can accept the world's price without demanding a subsidized price?

Mr. WILLIAM ALDEN SMITH. Have we no alternative except to do one thing or another?

Senator NEWLANDS. I do not think so; I do not know of any.

Mr. GROSVENOR. You would advise us to put the tariff back on Hawaiian and Porto Rican sugar?

Senator NEWLANDS. That is impossible. Hawaii and Porto Rico are parts of the United States.

The CHAIRMAN. Are not the Philippines a part of the United States?

Senator NEWLANDS. You may so regard them. I started out by saying "if you are going to permanently hold the Philippines."

The CHAIRMAN. Do you see any prospect of our getting rid of them in the next one hundred years and doing fairly by them and by the people down there?

Senator NEWLANDS. I should hope so.

The CHAIRMAN. I think that is rather a faint prospect.

Senator NEWLANDS. I do not think there is any man who went over in that party and saw those islands who did not think that the

United States had gotten a gold brick in the Philippine Islands. And I also assume, and I also believe, that in any war of the future the Philippines are going to be a source of weakness, instead of a source of strength. I believe that if war comes there we will have foes within and foes without, and I would be incomparably better satisfied if we had simply a naval station there that could be defended, and which formed simply a part of our chain of naval and commercial stations, instead of having those islands; and I believe that our policy should tend steadily toward getting rid of those islands.

Now, we all agree that we are going to train those people in self-government, and we are going to train them in such a way as to secure their economic independence, if possible.

The CHAIRMAN. I believe there is just as much possibility of getting rid of Porto Rico as of getting rid of the Philippine Islands.

Senator NEWLANDS. That is a long question, and you would hardly expect me to go into that question. I would be very glad to do it, of course.

The CHAIRMAN. We will do that some time when we have a month's time to talk about it.

Senator NEWLANDS. Yes. Now, the next question is, How are you going to get enough money to educate these people and train them and to conduct the government? They have attempted recently to impose internal taxes, and the protest was so loud that they were obliged to postpone it. They are not accustomed to land taxes there. They have been accustomed to get their revenue mainly from the customs duties.

Now suppose, when the Spanish treaty ends, we get our products in there free of duty, and suppose we accomplish what we have in view, the absolute monopoly of their markets; then they will get no revenue from the customs, and you have got to provide another system of taxation for these people, such a system of taxation as they are entirely unaccustomed to, which will arouse feeling and antagonism in addition to that which now exists between the races—and there certainly is not a friendly feeling among the Filipino people toward the United States to-day, because, notwithstanding that we have our benevolent intentions, and notwithstanding the altruism and benevolence and humanity that has characterized the policy of Mr. Taft and his associates toward those islands, there still exists that inherent racial antagonism—and you will simply increase it by revolutionizing their accustomed method of taxation.

In addition to this money—\$10,000,000 for the agricultural bank—it seems to me that we have got to add something more to the burden that we have assumed, and I would make another insular loan to cover that purpose. There are very few good roads in the Philippines, almost none in those islands, and they need good roads in order to bring their products in to market. Now, if you should spend this revenue of \$14,000,000, not a very large amount, in the needed improvements of that kind in the islands you would divert so much from education, and it seems to me that I would now authorize those islands to issue, say, \$20,000,000 of bonds for the purpose of doing this permanent work, this work which may be regarded as work belonging to capital rather than to current expenditures of the island; and as to those bonds, I would guarantee them, so that they could get

the very lowest rates of interest. The saving of interest between 5 per cent and 2½ per cent alone would retire the bonds in twenty years, and it is to our interest to finance them in such a way that the burden will not bear heavily upon them. Then you would have this \$10,000,000 in the agricultural bank. You would have \$20,000,000 to spend upon the permanent improvement from that loan, for improvements which are absolutely necessary, and the income of the islands—\$14,000,000—would be free for current expenditures; and with that \$14,000,000 free I believe they can probably appropriate \$5,000,000 or \$6,000,000 for education.

Now, if we are going to give them a common language, why should we string this matter of education out for a hundred years, instead of accomplishing the object in twenty years? It is cheaper to do it in twenty years than to have it strung along so that it will last for a hundred years.

Mr. WILLIAM ALDEN SMITH. I do not know about that. If you say that they are to be still rebellious, I would rather put it off a hundred years; that is, if they are to be rebellious afterwards.

Senator NEWLANDS. That is a long question. I would not like to go into that. I have been very careful, both in the Philippine Islands and elsewhere, not to say a word that would add to the disaffection there. But we have undertaken to train those people into self-government, and we have undertaken to give them a common language. The common language is absolutely essential. If you want to delay and string that along for a hundred years and to continue the old methods of forced labor, all right; but if you are going to conduct this government on the highest principles and desire to do it in the most economical way, clearly the more quickly you accomplish the object the better. Suppose that you educate only 10 per cent of those children in the English language. They will go back amongst their people, and they will forget it. But if you educate all of the children—and to-day there are 2,000,000 of them—in the English language, each one of those children will have somebody to talk to in English, and the memory of the language will be preserved.

The CHAIRMAN. That is rather a liberal proportion of children out of 7,000,000 people, is it not?

Senator NEWLANDS. That is the statement in the census—that there are 2,000,000 children there of school age. Is not that so, Governor Wright?

General WRIGHT. I do not remember the figures. I would not undertake to say.

Senator NEWLANDS. Now, there is another phase of this question, and that is the question of the "open door." We are contending for the "open door" in Manchuria and in Korea. The door is open now. Japan, whilst claiming that her effort was simply to secure the independence and integrity of Korea against Russian aggression, has herself practically taken possession of Korea, and England has entered into a treaty with her in which she recognizes the paramount character of her claims in Korea and stipulates only that the commerce of Korea shall be open on equal terms to the world. In other words, that Japan should have no preferential status there.

Now, contrast that with what we propose to do. The confessed object of this arrangement is to absolutely drive out of the Philippine Islands in the end all English, German, Chinese, and Japanese

trade. That is the confessed purpose of it. The confessed purpose of our reciprocity treaty with Cuba was to absolutely drive out the European manufacturers from that trade. We have not succeeded, because we found we could not sell to them, although we had the advantage of 20 per cent, as advantageously as European merchants and manufacturers could. But the purpose was there.

Now, I ask, how can we consistently be insisting upon the open door in Korea and Manchuria and China generally when we are closing the door in the Philippine Islands? Here is Japan, a very proud country; and here is China, struggling toward a higher degree of national life; and here we have a great oriental trade opening up to us, based upon the demand for the open door, and I ask you how we can consistently claim that that door should be kept open in Manchuria when we are proposing to absolutely close it in the Philippine Islands? Of course we can do anything we choose. The question is, Is it wise to do it?

Now, there is another suggestion that I would make, and that is that we should indefinitely postpone the operation of our navigation laws in the Philippines.

I would repeal those navigation laws, because the professed object of the extension of those laws is to give us a monopoly of the carrying trade between the islands themselves and between the islands and this country. We have not the ships as yet, but we want the monopoly, because our ships can not accept the world's price for transportation. But if our ships can not accept the world's price for transportation, that means that we will compel the Filipino people to pay for transportation of their products in their present condition of collapse more than they would have to pay without this legislation. I say that is utterly inconsistent and that we should not put upon their products in their present condition this additional cost of transportation.

Then, I ask you, what will be the condition at the end of twenty or thirty years if meanwhile we have given them a common language and we have trained them in methods of cultivation that will enable them to accept the world's price instead of a subsidized price and have trained them in self-government? The condition will be this, that the only tie binding those islands to us will be the tie of our Government. This insular commission will be the connecting link between those islands and this country, and all we have to do is to cut that tie. But if you extend our navigation laws there, if you subsidize their industries by giving them a higher price than they can get anywhere else in the world for their products, then you have those great interests to prevent this country from adopting the rational solution of the question.

Mr. HILL. Have you not overlooked one matter, namely, that in the next twenty or thirty years the consumption of sugar will have increased over 1,500,000 tons more than we now consume?

Senator NEWLANDS. I have not referred to that.

Mr. HILL. Where are we going to get that?

Senator NEWLANDS. I think that Cuba alone can produce—the preferential relations now existing being assumed to continue—3,000,000 tons of sugar.

Mr. WILLIAM ALDEN SMITH. It has been given as 5,000,000 tons by experts.

Senator NEWLANDS. Yes, sir. I am conservative. I believe that

the Philippine Islands will produce between one and two million tons at this subsidized price, and I am not sure but that they can produce as much as Cuba. You must recollect that the area of all these islands combined is very much larger than the area of Cuba. It is true that much of the land is mountainous, but very much of it is valley land, and the climate and soil are all of a kind favorable to the production of sugar.

Mr. HILL. Do you object to my asking you a question there?

Senator NEWLANDS. Not at all.

Mr. HILL. Mr. Chairman, may I ask him a question?

The CHAIRMAN. Certainly.

Mr. HILL. You came through Japan and you know they have two thousand five hundred years of recorded history in Japan, and yet, with the most intensive cultivation that the world knows—as I think you will agree—is it not true that only 14 per cent of the area of Japan now is available for agriculture?

Senator NEWLANDS. Yes, sir.

Mr. HILL. Has not Japan the same character of soil and topography as the Philippines?

Senator NEWLANDS. Yes, sir; I think so, but a different climate.

Mr. HILL. Does not the census show that only 9 per cent of the surface of the Philippines is available under any circumstances?

Senator NEWLANDS. I believe so.

Mr. HILL. Where are you going to get your enormous production?

Senator NEWLANDS. Have you got the area of all the Philippine Islands?

The CHAIRMAN. Shall we start to figure it up now?

Mr. CLARK, of Missouri. Seventy-three million acres is available.

The CHAIRMAN. Any gentleman around the table can figure it out.

Senator NEWLANDS. My information is that the available area for sugar in the Philippines is about the same as that in Cuba.

Mr. HILL. That proportion does not hold good in Japan, which has the same character of surface and topography and soil as the Philippine Islands.

Senator NEWLANDS. It was predicted that the production of sugar in Cuba would not largely increase when we gave Cuba a preferential tariff. The production of sugar in Cuba has increased from 400,000 tons to 1,000,000 tons. The papers state that the product of the next year will be 1,300,000 tons, which is over one-half the total consumption of the United States. And I should say that if Hawaii in its limited area can produce 400,000 tons it seems to me folly to say that the Philippine Islands can not produce 2,000,000 tons. And in the island of Java, which is a small island as compared with the total area of the Philippine Islands, there is a product of about a million tons annually.

Mr. WILLIAM ALDEN SMITH. With a large demand—about 10,000,-000 tons—

Senator NEWLANDS. Yes. Now, I will not take up your time with any statement of why I think that the sentiment of the United States will steadily drift toward separation from the Philippine Islands. I believe it would be accomplished to-day if it were not for sentimental considerations as to our duty to the Filipino people. The only contention now is that we are under the tyranny of an accident—

Dewey's victory—and that we must remain under that tyranny until these people are ready for self-government.

Now, I say let us pursue such a governmental and economical policy as will enable us at some time to cut the tie that binds us and not make that tie so strong by interlacing our shipping and commercial interests and by subsidizing as to make it almost impossible to accomplish that which we now have in view.

I thank you very much for the attention that you have given me, and I will not trouble you any longer, unless you have questions to ask.

However, there is just one thing that I would like to call to your attention, and that is that those islands will never have any large white population. In the Dutch Indies, which have been under the possession of the Dutch for many years, my recollection is that there are only 75,000 whites out of a total population of 40,000,000 people. In the Philippine Islands to-day there are possibly 25,000 whites out of a total of 7,000,000 people—that is, outside of our army.

I was talking to an English officer, a colonel in the English army, who had been twenty-five years in India. I asked him whether he did not think that the money and the effort which had been expended by the English in India, if expended in her temperate possessions, such as Canada and Australia, would have produced by this time very much larger results. He said, undoubtedly; that he regarded India as the grave of the best talent and the best blood of England. And I believe that will be our experience in the Philippine Islands.

(Thereupon, at 5 p. m., the committee adjourned until 10 o'clock a. m. December 16, 1905.)

COMMITTEE ON WAYS AND MEANS,
Saturday, December 16, 1905.

The committee met at 10 o'clock a. m., Hon. Sereno E. Payne in the chair.

Members present: Messrs. Dalzell, Grosvenor, McCleary, Hill, Boutell, Needham, Smith, Clark, and Underwood.

STATEMENT OF MR. J. W. UPSON.

(Against the bill.)

The CHAIRMAN. There are a number of gentlemen to be heard to-day, and our time is somewhat limited, so that in making your statements we will ask you to make them as briefly as you can, covering the ground.

Mr. UPSON. I am here to represent the Tobacco Growers' Association of the State of New York, and in order to make my statement brief I will not attempt to introduce any mathematical calculations or details. I am connected with the firm of Kerbs, Wertheimer & Schiffer, of New York, the largest manufacturers of cigars in the world, a firm who employ 10,000 people and who roll nearly a half a million cigars. Incidentally, Mr. Schiffer represents and is the president of the Association of Manufacturers of Cigars in the United States, and he will be able to furnish you with all the details

of the cigar business that it will be possible for any of us to furnish to you.

Mr. Schiffer will be followed by several others whose names I will give you.

The CHAIRMAN. I should suggest that we will get all of that when these gentlemen appear. Make your own statement of this.

Mr. UPSON. I am making my statement of facts to excuse myself from making any detailed statement.

The CHAIRMAN. Certainly; but make your own statement.

Mr. UPSON. I am here to say to you what my association asks me to say in regard to their protection in this bill, which has been introduced for the benefit of the Philippine Islands, and the first thing they ask me to say is that almost to a man they are against it. They are against any bill that interferes in any way with the tobacco clause in the Dingley bill.

Next, they want me to say that they do not take any stock—they are not interested—in the proposition that a new market is to be made for them in the Philippines for their wrappers; that growing domestic wrappers against the Sumatra wrapper at 22.03 cents is a pipe dream; it is not possible.

Next, they wish me to say that for eighteen years they have been coming here and appearing before the Ways and Means Committee to sustain the schedules of the tobacco dealers, year after year, and that when the reciprocity bill with Cuba was brought up they thought there was a chance to win, but that the interference—I mean not the interference, but the influence—of the Administration pulled their supports away from them one by one, and finally they felt that they were left without support.

Now, they come to this bill, which has been introduced for the benefit of the Philippines, and they think possibly that if an effort had not been made to prejudice their manufacture by this bill in all the various ways known to us, if it was not for the strength of the Administration, they might stand a chance to win; but they almost feel that they are defeated before they start, and they ask me to ask you to assist them in every possible way. They believe that this committee does not fully realize the conditions that are to be brought about for the growers of this country or for the cigar manufacturers of this country, for when the manufacturer does not succeed the leaf dealer does not succeed, and when neither of them succeeds the grower does not succeed. They believe this is a more serious matter than you believe it is—the introduction into this country of wrappers to wrap the cigars that are used.

There has been a bitter experience there, and million of dollars have been spent in Florida to produce a Sumatra wrapper. I myself have frittered away the accumulations of a lifetime, \$170,000, to create a Sumatra wrapper. Those people who took it up after me have been gradually producing an article which has borne the tests. It handles nicely, and there is a big yield of it, and while I can not give you details about that, my judgment is that there have been 8,000 acres of tobacco raised there which has produced 12,000 bales of a product which, while it is not equal to that brought from Sumatra, is very desirable tobacco, and is fast getting into shape to take the place of the Sumatra tobacco.

We all know the story about the money that they have spent in Connecticut trying to produce wrappers, and they are producing them. The fact is that a very large proportion of the wrappers used to-day are produced in this country, and my people believe, knowing as they do that Sumatra lies right over next to the Philippines and the same climatic and geological conditions surround the Philippines as prevail in Sumatra, that it is possible to produce that tobacco there, notwithstanding all that has been said on that subject. It is a fact that Manila produced some of the finest wrappers, under the Spanish Government, that were produced in any country. The gentlemen smile, but these leaf people tell me about it, and they will give you the exact facts. I am not familiar with them. It is an absolute fact that you can produce that wrapper there. There is another fact, if you are going to have a 23 or 24 cent duty on tobacco coming in from the Philippines. There is no question, you say, that the inhabitants are not intelligent enough to become good wrappers of cigars. But the Japanese are near by, the most expert people in the world in this kind of work; and if the bars are to be let down, in four or five years you will see the great factories of this country will be just as sure to move there as anything can be. There is no question about that.

Now, we know just as well as we know anything that when they do not make but seven to eight billion cigars in this country the present product of leaf stuff can not be sold at a good price. It is a mathematical certainty, and there is no guesswork about it at all. These people are loyal enough. They say, "If you have a mind to support any project that will spend one, ten, or one hundred million dollars to benefit the condition of the Filipinos, very well." They are that loyal that if the party in power thinks best to reduce the duties, the income tax which is derived from the revenues, they will not object. But they say that you must slice it off horizontally; they want the wool man and the steel man and all the others to abide by the same conditions. They do not believe that the original party who protected them so amply and so nicely under the McKinley bill and the Dingley bill ever intended that they should have to fight for their existence here every year of their lives. I was here before this committee when the first law that was ever made to protect us was under consideration, and we left holes that you could drive teams of oxen through, and it took us several years to get that fixed up; and I have been here every year fighting for the tobacco men. They believe, you know, that there is no necessity of it. They believe if this bill were to be introduced without the prestige of the Administration, without the insular government, without Secretary Taft putting the whip and spur, and the members of this outfit were to go on the floor, each and every man voting, you would not have enough votes to accomplish anything. That is what they wanted me to say.

The CHAIRMAN. Do you not think that is rather a low estimate of the House of Representatives?

Mr. UPSON. Well, it is an absolute fact. I do not believe there is a man in this house, or anywhere, that knows it any better than you do.

The CHAIRMAN. I am sorry that I can not agree with you.

Mr. UPSON. I believe you are one of the pattest tariff men, naturally, that there is around this board. You know this is only my guess. Now, they want me to ask this committee why it is that they

have got to put up the money and spend the time to send the men here every year or every two years to protect the tobacco schedule?

The CHAIRMAN. What do you mean by putting up money?

Mr. UPSON. They do not hear of the other fellows having to come here.

The CHAIRMAN. I say what do you mean by "put up money?"

Mr. UPSON. You will make horizontal reduction and free trade men of those fellows up there in the New York association. As I have stated, they can not get it out of their minds that, having the benefits of free trade over there, they are sure to get hurt, directly or indirectly. They said to me in their last meeting that that association should be held together, because it would be called here to protect the tobacco schedule oftener in the next five years than in the last ten years.

Mr. WILLIAM ALDEN SMITH. The Chairman asked you a question about what you meant by their spending money. You did not hear him, I think.

Mr. UPSON. No, I did not hear him. I am hard of hearing, you know. Did Chairman Payne ask me about spending money? In what reference?

Mr. WILLIAM ALDEN SMITH. He asked you what you meant by saying that you were required to spend money over here.

Mr. UPSON. The association meets, and it is a dollar—and a dollar is not much, but it is a good deal to them—and they put up the money to send us down here.

Mr. WILLIAM ALDEN SMITH. To pay your personal expenses?

Mr. UPSON. Yes, sir; I had no reference to the other people putting up money to influence this House to pass this bill. I just thought they put up a little influence, possibly.

I do not know that there is any more that I can say to you, except that we are absolutely opposed to this bill, and my prophecy would not amount to anything; but I prophesy that you are whittling a club here that inside of eight years will beat yourselves. You will call these growers together inside of five or ten years, if the Republican party is still a protection party, to change the law you are enacting now. Now, I will end. I have taken all of your time that is necessary.

STATEMENT OF MR. E. N. PHELPS, OF CONNECTICUT.

(Against the bill.)

Mr. PHELPS. Mr. Chairman and gentlemen of this committee, not being accustomed to appearing before such bodies as this, I feel a little diffident about having anything to say; but my people in the Connecticut Valley, and also in the valley in Massachusetts of the Connecticut, desired me to say that they are unqualifiedly opposed to any reduction of tariff under any and all circumstances.

Now, I have been a grower of tobacco for the last sixty years or sixty-five years, and we have had jeopardies to contend with and we do not want at this time any introduction of foreign wrappers to compete with us. It is as much as we can do to compete with the production of wrappers in our own country. We have to-day a large amount of money invested in buildings and tools and appurtenances

for the growing and curing of tobacco, and we do not want the business to be menaced by a bill that will introduce any foreign wrappers at a less rate than under the Dingley bill of \$1.85.

I most heartily agree with all that my friend Mr. Upson has said. He is a coworker with us in the Connecticut Valley. We know him from away back—truthful, honest, and well-meaning from beginning to end.

I do not wish to engage your attention for any length of time. I wish to be very brief, and in being brief I wish to report again that our people are unqualifiedly opposed to any reduction of the Dingley bill.

Mr. GROSVENOR. You say that you have been raising tobacco there for sixty years?

Mr. PHELPS. Yes, sir.

Mr. GROSVENOR. Let us go back to the time forty years ago, before the close of the war. What was the price of the tobacco there then?

Mr. PHELPS. The price of tobacco at the close of the war, or a short time before it, was from 8 to 12 cents per pound. After the war, and as late as 1874, I have known it be as high as 33 or 37 cents, bought on the poles, hanging in the shed, before it was taken down.

Mr. GROSVENOR. What is it worth now?

Mr. PHELPS. The best of it is worth to-day about 15 cents; not to exceed 15 cents.

Mr. GROSVENOR. That is for wrappers—what you call wrappers?

Mr. PHELPS. No, sir; I mean by the lot—taking the lot together.

Mr. GROSVENOR. What do wrappers sell for?

Mr. PHELPS. That depends upon the color, largely. Light wrappers will sell at about 40 cents.

Mr. GROSVENOR. Forty cents a pound?

Mr. PHELPS. Forty cents a pound. Dark wrappers sell at about 15 to 16 cents, possibly 17 cents, depending upon the quality.

Mr. GROSVENOR. The product of this tobacco—the manufactured and finished product—has increased in the same ratio?

Mr. PHELPS. What is that?

Mr. GROSVENOR. The cigars, the finished product of that tobacco. have increased in about the same ratio?

Mr. PHELPS. I could not state in regard to that. The parties who are manufacturers could state in regard to that. I was a manufacturer shortly after the war, but went out of the business. I do not know whether the product has increased in the same ratio or not, but at the time I speak of, when it was worth 8 to 12 cents, the standard of the quality of tobacco was not where it is to-day. The standard has been raised probably 100 per cent.

Mr. GROSVENOR. Did you ever see any tobacco raised in the Philippine Islands?

Mr. PHELPS. I have.

Mr. GROSVENOR. The natural tobacco? I do not mean manufactured into cigars.

Mr. PHELPS. No, sir; I have only seen it in cigars—well, back fifty years ago, forty-five or fifty years ago. Those cigars used to come here in great numbers, done up in bundles, about 100 in a box or in long boxes of 200. Those were very light-colored cigars. I have

seen some that were said to be manufactured in Manila in the last three or four days that were as handsome tobacco as I ever saw in my life.

Mr. GROSVENOR. You do not know where that tobacco of which they were manufactured was raised?

Mr. PHELPS. No, sir; except from what the gentleman said.

Mr. HILL. Did you say that you sell the light wrappers at 40 cents and the dark wrappers at 20 cents?

Mr. PHELPS. No, sir; less than 20 cents. They will not bring 20 cents.

Mr. HILL. How much will they bring?

Mr. PHELPS. In the market they will not bring to exceed about 17 cents.

Mr. HILL. Seventeen cents?

Mr. PHELPS. Yes, sir. Consequently they would have come from the hands of the farmers at about 13 cents.

Mr. HILL. Suppose this bill should pass, it would leave the duty on ordinary leaf tobacco $8\frac{3}{4}$ cents a pound and on wrappers $46\frac{3}{4}$ cents a pound. Supposing that with those conditions, which I think you will admit would bar out all Manila tobacco from this country wholly and totally, you could have a free market into the Philippines and get 50 cents a pound for your wrappers over there. Would you think it desirable?

Mr. PHELPS. They would not use our wrappers over there unless they were light wrappers, and they could not buy them at 50 cents, because there is not enough raised here.

Mr. HILL. You say you are selling them at 40 cents a pound?

Mr. PHELPS. That is to the man who is buying to sell again.

Mr. HILL. Suppose you could get 50 cents a pound, making a fair profit over there of 10 cents, that would be a fair profit?

Mr. PHELPS. I think not.

Mr. HILL. Suppose that it was 60 cents, would that be a fair profit; would you get any advance over the middleman's profit?

Mr. PHELPS. I think not.

Mr. HILL. Suppose we make it 70 cents, would you get any advance over the middleman's profit?

Mr. PHELPS. That would depend on whether it was scarce or not.

Mr. HILL. I am taking your own conditions. You say you are now getting 40 cents a pound?

Mr. PHELPS. Yes, sir.

Mr. HILL. Suppose we make it 70 cents, would you not get some advance in your price?

Mr. PHELPS. If there was a constant, increasing, and growing demand, I should say yes.

Mr. HILL. Suppose that the price was 80 cents, would you not get an increase, or would there not be an increase in the production in the Connecticut Valley?

Mr. PHELPS. There can not be much increase in production there. It is not a possible thing. They have not the lands suitable and adapted to it.

Mr. HILL. Then you would get more money at 80 cents?

Mr. PHELPS. Yes, sir; we possibly might.

Mr. HILL. Mr. Phelps, I want to tell you that I saw five cases of tobacco in Manila which cost them 80 cents there.

Mr. PHELPS. How much?

Mr. HILL. Eighty cents; Connecticut tobacco, bought from Hartford, Conn.

Mr. PHELPS. Eighty cents?

Mr. HILL. Eighty cents.

Mr. PHELPS. Yes, sir.

Mr. HILL. Do you not think it would be desirable if you could sell that tobacco at 80 cents over there?

Mr. PHELPS. I do not fancy—

Mr. HILL. And without any danger to any interest in the United States whatever?

Mr. PHELPS. I do not fancy that there can be any increased demand for our light wrappers over there to compete with Manila. And why? Because they have not the same quality or the same color. People smoke to-day more with their eyes than with their taste.

Mr. HILL. That is precisely the reason that they say over there that they want the light wrappers from the United States.

Mr. PHELPS. We do not want to sell their light wrappers over here; it would decrease the price of our wrappers.

Mr. HILL. They are in the same boat over there as you are here; they have not enough.

Mr. PHELPS. The moment you admit their wrappers here they come into competition with our product.

Mr. HILL. Their product can not come in at 46½ cents a pound duty.

Mr. PHELPS. How else would they come in but with that duty?

Mr. HILL. I do not think they would come at all; that is the point.

Mr. PHELPS. Why would they not come, if there was a scarcity of wrappers here?

Mr. HILL. The question I am asking you is, If you had free entry into the Philippine Islands for your wrappers, with a price of 60 or 70 or 75 cents a pound, with no danger of competition from their wrappers here by reason of the duty of 46½ cents a pound, coming this way, would it not be an advantage to you?

Mr. PHELPS. Of course it would.

Mr. HILL. That is what I wanted.

Mr. PHELPS. But I say those wrappers, in spite of the 46½ cents duty, would come here in competition with our wrappers. What is the reason those wrappers would not come here? I say they would.

Mr. HILL. Well, all right.

STATEMENT OF MR. JOSEPH H. PIERCE, OF ENFIELD, CONN.

(*Against the bill.*)

Mr. PIERCE. I am a tobacco raiser, and I have been one for fifty years, and have made my bread and butter that way. I have very little to say, but I want to say one thing, that I am totally opposed to any reduction of the duty on tobacco as it stands to-day. I have got that much to say, and I know it will be of great detriment to us if the duty is reduced. I am a tobacco raiser, and have put my money into lands and sheds, and have spent a great deal of money, and we have been hampered from time to time, and the old New England Tobacco Growers' Association has had to send men here

year after year to try and keep our duty on, and we have had a great deal of trouble; and I solicit my town year after year and gather up a little money to send men here.

I have been one of those men in my town, and I have spent a great deal of my money and a great deal of my time in doing that. I do not want to take up much time, because I know there are other men here who can explain this matter much better than I can, but I am and have been a tobacco raiser, and I am satisfied with the tariff as it is now, and I do not want it changed; and I know our tobacco men up the valley are totally against it, every one of them. We respect our men here, we respect you all. We know you all want to work for our interest. We want to take care of our own interest. We have got to take care of our bread and butter. The Philippine Islands are a good long way from here, gentlemen. I know we can go quick through the land here; we can go quick; but when you talk about our tobacco going to the Philippine Islands—this gentleman here said that he saw five or six bales there, and that is all right.

Mr. HILL. Five or six cases.

Mr. PIERCE. That is all right. If we could ship 5,000 or 6,000 cases over there and get the money, if we knew certainly we could, it would be another question. But, gentlemen, we are never going to do that thing. That is what I say. We are not going to ship our tobacco over there. They do not want any light wrappers over there. We may ship a little of our old Connecticut seed leaf over there, possibly. We may ship a little of our old Connecticut seed leaf to China. But I tell you the Chinaman is a cute man, and he is going to work the tobacco that he can get the most money out of, and he can drop our Connecticut seed-leaf tobacco and use something that he gets over there that costs him less.

If I was a young man, and this thing would come out as it looks now as though it may come out, I would go there myself. But I hope we will have a little influence on you gentlemen; I hope we will. I think this will be a great detriment to us, and it will block our game so that we will have to shut up our warehouses in Connecticut and stop raising tobacco there.

If this bill passes, what shall I do with all my shops and what will become of all the money I have invested there? It will go down in a hole, and I will go with it, gentlemen.

But, as I say, if I was a young man I would sell out the whole thing. I would not wait twenty-four hours after I got home. I would sell out to any man who made me a fair offer. I would say when I got back home, "Here, what will you give me for what I have got?" If he made me an offer, he would get it. I would say, whatever I was offered, "It is yours." Then I would go to the Philippine Islands and start out raising tobacco.

The CHAIRMAN. I would advise you to look around a little before going over there.

Mr. PIERCE. I would certainly sell out and go there.

Mr. GROSVENOR. You had better take a return ticket before you go.

Mr. PIERCE. I have got a return ticket to go back to Connecticut.

**STATEMENT OF CHARLES J. WAXELBAUM, OF A. COHN & CO.,
NEW YORK CITY AND AMSTERDAM, GA.**

(See also p. 175.)

(Against the bill.)

Mr. WAXELBAUM. Mr. Chairman and gentlemen of the committee, I represent the tobacco-growing interests of Georgia and Florida.

Mr. McCLEARY. As one of them or as an attorney?

Mr. WAXELBAUM. As one of them. I shall not go into all the absolute details and statistics in my statement which I offer here. It was only within the last few days we knew that this meeting was to be held here to-day. What I offer you here to-day is a sort of a detailed outline and facts. The interests of the growing of wrapper tobacco in Georgia and Florida, which I have the privilege to represent, have as yet not been presented before your committee, and should this bill become a law it would be a great injustice to these interests.

Tobacco was raised in Georgia before the civil war, and after the war was discontinued, and not until about the year 1888 did some farmers again attempt to raise tobacco there; but they met with absolutely no success on account of Sumatra being able to be imported with the then existing differential duty of 35 to 70 cents. Consequently this industry of raising wrapper tobacco in Georgia and Florida was only brought to life on account of the McKinley bill raising the duty on wrapper tobacco from a differential duty of 35 to 75 cents to \$2 per pound. At this time Sumatra was king of wrapper tobaccos, and on account of the raise of duty, of an increase of from \$1.25 to \$1.65 per pound more than old duty, led us, as well as other tobacco merchants, to investigate whether this tobacco raised in Georgia and Florida could be improved so that it could compete in every respect with Sumatra tobacco. So, in the year 1891, our firm, as well as others, bought some of this tobacco raised by the farmers in these States, but met with little or no success, on account of the farmer and grower in the South not having the means to properly fertilize the ground, to put up the proper barns and the necessary accessories to raise and cure tobacco. Consequently, capital was necessary, and we, as well as others, bought land, etc., cleared the ground, and started to thoroughly fertilize, build, and improve the properties by building adequate barns, large warehouses, and putting up houses for labor. We thereby raised a better article than the farmer had done by making large expenditures to improve the soil. We made slight headway, but still this tobacco had not the exact requirements of Sumatra, until one very brilliant man, Mr. F. A. Schroeder, conceived of the idea, having seen pineapples grow under shade, to experiment raising tobacco under shade.

The experiments were made and have finally proved successful, but the tobacco formerly raised in this location having had so many faults there was naturally a prejudice existing against it, which prevented the rapid increase of extending acreage of tobacco planted under shade that this tobacco actually deserved, but by patient experiments and enormous outlays in the last few years we have been able to overcome the faults of the tobacco and the prejudice of the consumer, and it is now an established fact that in Georgia and Florida together from what was a quarter of an acre of tobacco raised under shade in 1894 it has steadily increased year by year until to-day

there are nearly 3,000 acres of tobacco raised under shade, or more than 12,000 bales. This acreage is not confined to the large individual firms or growers, but a great many individual small growers, a majority of which are colored, who started with one-fourth acre and now have three or four, having reinvested their earnings until they have now put their all in this industry.

We, as well as others, have paid to the farmers and growers 55 cents as it came from the barns, and so your committee can see that the finished article costs us no less than 75 cents ready for the market. This is for all grades running.

The CHAIRMAN. That 55 cents is in bales?

Mr. WAXELBAUM. It is just as I have told you—just as it came from the barns.

Since Georgia and Florida interests have been raising tobacco under shade the Department of Agriculture about six years ago engaged a gentleman by the name of Mr. M. L. Floyd, of Quincy, Fla., who had been engaged in raising tobacco under shade, at a large salary in the Department to start experimental stations in Connecticut to raise tobacco under shade under the supervision and at the expense of the Government. This met with such success that the Department of Agriculture encouraged the farmers to put up shade, saying that on account of the protection which the duty existing on wrapper tobacco gave them they could safely go ahead and put the shade up. Such advice coming from the Department of Agriculture has only encouraged the southern grower to extend and increase his acreage of shade of tobacco.

We now come to the fact that the report of the Department of Commerce and Labor and also the report of Mr. Dorsey, the expert of the Philippine government, that the Philippine Islands have the climate and the soil for raising tobacco as fine as is raised on the island of Sumatra or Cuba, and this being a fact, there is no reason why they can not raise tobacco as cheaply as they are now doing on the island of Sumatra, and with the enormous area of land, climate and cheap labor, which they have, and with the protection which we have enjoyed being taken off to 25 per cent of the Dingley bill for the present and free trade for the future, will absolutely crush this progressive industry in both Georgia and Florida which has taken years of time and much labor to bring to such a point that only within the last two or three years have we really been able to see daylight. It is an industry upon which millions and millions have been expended in fertilizing and improving the properties which were necessary to produce fine tobacco.

When we, as well as others, are on the point of trebling and quadrupling our acreage, and have plans laid, and even built additional warehouses to be ready to house our increased product, this bill has compelled us to stop short. We believe most confidently that the passage of this bill will cause us to lose whatever moneys we have invested, and will stop not only the increase, but the actual production of tobacco in this section.

The difference between the climate of the Philippines and our Southern States is such that they can raise their tobacco without the use of fertilizers and shade, which is virtually the same as a hothouse.

This acreage of shade-grown tobacco could have been materially increased in these last few years, as we, as well as others, had the

necessary capital, but we had to feel our way and make certain that this industry was a success. But in the meanwhile we also have been raising and are raising, in addition to shade tobaccos, tobacco grown from Cuban seed for filler purposes to compete with Havana filler tobacco. It is an absolute fact that we, as well as others, have already contracted for the crop to be grown in 1906 for this grade of tobacco for no less than 3,000 acres and have agreed to pay the grower and farmer from 18 to 22 cents in the uncured state. (Cost at least 30 cents.)

Mr. UNDERWOOD. I did not hear the first part of your statement, and I would like to know what part of the country you are speaking of there.

Mr. WAXELBAUM. Georgia and Florida.

Mr. HILL. Who is it that has agreed to take the crop at from 18 to 22 cents?

Mr. WAXELBAUM. The growers and packers of Florida.

Mr. HILL. They have agreed to take the crop?

Mr. WAXELBAUM. Yes, sir.

Mr. HILL. That is, they have agreed to take the crop of 1906?

Mr. WAXELBAUM. Yes, sir; for filler purposes.

Mr. HILL. From the field?

Mr. WAXELBAUM. Yes, sir; that is, Cuban seed tobacco.

Mr. WILLIAM ALDEN SMITH. When was that contract made?

Mr. WAXELBAUM. These contracts were made in the last growing year.

Mr. McCLEARY. Is it usual to make advance contracts of that kind?

Mr. WAXELBAUM. It has been lately, for the simple reason that we want to encourage the farmer to make his preparations to do this.

Should this bill go into effect, the only people that it would benefit would be those Dutch companies which own plantations in Sumatra, who, knowing the climate, conditions of soil, etc., would step across this narrow channel and immediately start, with the experience they have had for years on their article, and proceed to raise the same tobacco in the Philippines, and also those in interest who could raise Cuba seed tobacco, as they would have to pay a duty of only $8\frac{3}{4}$ cents per pound for the present, and no duty after that, on an article which they can raise for $2\frac{1}{2}$ to 10 cents.

I have before me the statistics of the tobacco raised on the island of Sumatra, which show the magnificent comparison to what we are doing in this country. They began the culture of Sumatra tobacco in 1864, when they only raised 50 bales, and it took them ten years to increase it to about 12,000 bales, which is the exact stage at which we have now arrived in our production of Sumatra, and to-day they are now raising and have raised, according to the last statistics, which I have in front of me, 254,000 bales. They have raised since 1864 4,484,128 bales, which has been sold by them at the average price of 111 Dutch cents per half kilo, which in our money is about 40 cents the American pound; but the average that they have received for the last ten years has been 34 cents per pound. Nevertheless, on this selling price they have been able and have paid enormous dividends to their companies, amounting in some instances to more than 100 per cent per annum.

What I mean by that is this: That means for the finished article

sold in Amsterdam. The sales of tobacco are all by field bids, and the highest bids get it, and that has been the average bid on these crops. Nevertheless they have paid enormous dividends to their companies, of 100 per cent in some cases, and the stocks of those companies are worth to-day three or four or five times their par value.

Had the duty remained the same to-day as it had been prior to the McKinley bill, we would have imported a great deal more of this tobacco than we have, as the natural increase of cigars has shown; but under this protection we have been able to raise tobacco in this country, as above stated, which is being used by the manufacturers of our country and is gradually supplanting the Sumatra interests.

We are to-day supplying the markets of this country with not less than 12,000 bales of virtually Sumatra tobacco, raised from the lands of Georgia and Florida; but this country has only been able to import the finest selections of Sumatra, on account of the high duty. The poorer grades, such as broken leaf, which are virtually wrapper tobacco, having been excluded; as all grades of Sumatra having been classified as wrapper tobacco it would cost more to the manufacturer to use this broken wrapper than the better grades.

At the present time we only use and take about 16 per cent of the output of Sumatra, which is about 6,000,000 pounds per annum. The manufacturers of this country are to-day using 80 per cent of our shade-grown tobacco for wrappers, which we are only able to market on account of the protective tariff.

Now, as stated by the expert of the Philippine government—and there is no question about this—they can raise as good tobacco in the Philippines as is raised on the island of Sumatra, and with the protection which we have enjoyed from our Government, and only on account of this protection, have we entered into this industry of raising Sumatra tobacco in this country. We can only see ruin and disaster coming to us if we reduce the existing duty between our country and the Philippines to 25 per cent of the Dingley bill, and the free trade, for there is no question whatever that they can raise Sumatra tobacco in the Philippines as cheap and as good as in the island of Sumatra.

Mr. HILL. Have you any information on that subject? You say there is no question about it.

Mr. WAXELBAUM. Mr. Dorsey's report is my authority. He is the expert of the Philippine government.

Mr. HILL. Perhaps Mr. Welborn, of the agricultural bureau, will give us some information about that.

Mr. WAXELBAUM. In the year 1893 this country imported from the Netherlands 5,372,000 pounds of wrapper tobacco, and for the eleven succeeding years the average has been 5,065,000 pounds per year.

Mr. GROSVENOR. What year was that?

Mr. WAXELBAUM. 1893; and the reason I use the year 1893 is because I am talking now of conditions since the McKinley bill; and the reason I do that is because in 1890, when the McKinley bill went into effect, there was enough wrapper tobacco imported to supply the needs of the next two years. I do not want to take any advantage of this committee in that regard. I take that year when they did commence to import it again—the year 1893.

In the year 1893 this country imported from the Netherlands 5,372,000 pounds of wrapper tobacco, and for the eleven succeeding years the average has been 5,065,000 pounds per year, showing that the use of our shade-grown wrappers has curtailed or interfered with the increase of the importation of Sumatra, whereas the output of cigars manufactured in this country has doubled, showing conclusively that with protection we can in time raise sufficient tobacco to supply our requirements and give the moneys that have heretofore filled the coffers of these Dutch companies to our own deserving and worthy citizens.

Mr. GROSVENOR. Have you finished with your direct statement?

Mr. WAXELBAUM. Yes, sir.

Mr. GROSVENOR. How long have you lived in Georgia?

Mr. WAXELBAUM. I do not live there, sir. Our interests are down there.

Mr. GROSVENOR. Where do you live?

Mr. WAXELBAUM. In New York.

Mr. GROSVENOR. You represent the public sentiment of Georgia and Florida, as I understand it?

Mr. WAXELBAUM. Yes, sir.

Mr. GROSVENOR. The McKinley bill went into effect in 1891?

Mr. WAXELBAUM. In 1890.

Mr. GROSVENOR. Well, effectively, we will say in 1891, for this purpose. One year afterwards it was put into the platform of a great party that all forms of protection are robbery. Did you hear any protest from the men you represent in Georgia or Florida against that declaration?

Mr. WAXELBAUM. No, sir; I never heard of the declaration. I never heard of that, sir.

Mr. GROSVENOR. But you heard of one Grover Cleveland?

Mr. WAXELBAUM. Yes, sir.

Mr. GROSVENOR. And you heard of Mr. Bryan in 1896 and in 1900?

Mr. WAXELBAUM. I have heard the man's name, sir, but—

Mr. GROSVENOR. And did you hear of any modification of that political proposition in either of those States?

Mr. WAXELBAUM. No, sir. I do not see what bearing it has on this.

Mr. GROSVENOR. No. You have from those States 4 Senators and perhaps 20 Representatives—18 Representatives.

Mr. WAXELBAUM. Yes, sir.

Mr. GROSVENOR. And are not everyone of them opposed to all forms of protective tariff?

Mr. WAXELBAUM. We can all make our mistakes, and I think to-day they have changed.

Mr. GROSVENOR. You think they have changed?

Mr. WAXELBAUM. Yes, sir.

Mr. GROSVENOR. You think they are becoming protectionists down there?

Mr. WAXELBAUM. I would not be a bit surprised.

The CHAIRMAN. I understand you to say that this tobacco raised in the shade is equal to the Sumatra wrapper?

Mr. WAXELBAUM. Yes, sir.

The CHAIRMAN. What does the Sumatra wrapper cost the manufacturer?

Mr. WAXELBAUM. I am not a cigar manufacturer.

The CHAIRMAN. But you know; you are a dealer. How much does it cost the manufacturer?

Mr. WAXELBAUM. I can talk to you about the price of tobacco, of course.

The CHAIRMAN. Let us see if we can not figure it. The duty is \$1.85 and the cost of the tobacco, you say, is 34 cents?

Mr. WAXELBAUM. No, sir; you misunderstand me.

The CHAIRMAN. The duty being paid—

Mr. WAXELBAUM. No, sir; I beg your pardon.

The CHAIRMAN. How much is it?

Mr. WAXELBAUM. I said that the average price the entire crop brought in Amsterdam for this year, raised on the complete island—

The CHAIRMAN. Was 34 cents?

Mr. WAXELBAUM. Yes, sir. I have said here that we are only able to import into this country the finest tobacco that is grown in the island of Sumatra.

The CHAIRMAN. How much will that average?

Mr. WAXELBAUM. I do not know the exact figures, but I think the average of what has been imported into this country, if I am not mistaken, is a dollar a pound.

The CHAIRMAN. And the duty besides?

Mr. WAXELBAUM. Yes, sir.

The CHAIRMAN. That makes it cost \$2.85; and you buy this tobacco that takes the place of that at a cost of 70 cents a pound?

Mr. WAXELBAUM. No, sir; I did not say that.

Mr. HILL. Fifty-five cents in the barn?

The CHAIRMAN. Yes. Seventy-five cents prepared for the market?

Mr. WAXELBAUM. Yes, sir.

The CHAIRMAN. I do not wonder that you are in favor of existing conditions. If you have got an article for 55 cents that will take the place of an article that has been costing you \$2.85 a pound I do not wonder that you are in favor of existing conditions.

Mr. HILL. I did not understand exactly about your firm. They are—

Mr. WAXELBAUM. The largest growers of tobacco under shade in the United States.

Mr. HILL. You say you are in business in New York and in Amsterdam, Holland?

Mr. WAXELBAUM. Amsterdam, Ga. Amsterdam is the name that we have given to our place down there.

Mr. HILL. Are you also importers of tobacco in New York?

Mr. WAXELBAUM. Yes, sir.

Mr. WILLIAM ALDEN SMITH. Where were you born?

Mr. WAXELBAUM. I was born in Macon, Ga.

Mr. UNDERWOOD. What does it cost you to fertilize and prepare the land for that tobacco?

Mr. WAXELBAUM. I could not give you that. I could say to you that there is one individual concern that in the last ten years cost well on to \$5,000,000.

Mr. UNDERWOOD. In my district in Alabama the farmers are raising Havana-filler tobacco under the Government supervision and selling that at 15 cents a pound and making a good profit at it, and I would like to know the cost of the production of that tobacco you speak of.

I do not see any reason why it should cost 40 cents, when I know that the farmers in my district are selling tobacco at 15 cents.

Mr. WAXELBAUM. That is sun-grown tobacco, but what I am talking about is shade-grown tobacco. That is from Cuban seed that you are talking about?

Mr. UNDERWOOD. Yes.

Mr. WAXELBAUM. I can tell you now that if the tobacco in Alabama is as good as that we have we will buy it from you at 22 cents, the same as the other. But what we are talking about is another proposition, Sumatra tobacco. It has taken years to formulate and get those things into condition, and we have 3,000 acres of shade at the present time down there and we have plenty of land to increase the area. And I will tell you this: Where ten years ago it cost us \$100 to put up an acre of shed it costs us now \$300. Houses that cost us \$50 ten years ago now cost us to build \$100. Everything is increasing and booming down there.

Mr. UNDERWOOD. I would like to have the exact figures on this.

Mr. WAXELBAUM. You can not estimate it exactly. We buy and keep three steers for every 2 acres and feed them just for the sake of getting their manure. How can you figure such a thing as that? We can figure out what we pay out and how much we get back in the course of a number of years, but we can not figure how much it costs us to raise that tobacco per pound at any particular time.

Mr. HILL. You say you have 25,000 acres?

Mr. WAXELBAUM. Yes, sir.

Mr. HILL. What is the average product per acre?

Mr. WAXELBAUM. We are getting about 900 pounds to the acre under shade.

Mr. HILL. You fear the competition of the Philippine tobacco, if it came here, do you?

Mr. WAXELBAUM. Yes, sir.

Mr. HILL. Do you realize that you are raising more tobacco on your 25,000 acres of land than the entire export of the Philippine Islands?

Mr. WAXELBAUM. Maybe so.

Mr. HILL. You alone are doing that, leaving out everybody but you.

Mr. WAXELBAUM. Yes, sir.

Mr. HILL. Your product will average 900 pounds to the acre?

Mr. WAXELBAUM. Yes, sir.

Mr. HILL. Have you any definite information as to the possibility of an increase of the tobacco area in the Philippine Islands?

Mr. WAXELBAUM. Do not understand me to say because we have 25,000 acres of lands that we are using all of that. We only use 3,000 acres of it. That produces 900 pounds to the acre, which would be 2,700,000 pounds.

Mr. HILL. Have you any information as to the export product of the Philippine Islands in tobacco?

Mr. WAXELBAUM. No, sir.

Mr. HILL. Have you any information as to the available area where tobacco is raised in the Philippine Islands?

Mr. WAXELBAUM. From what I understand to-day that tobacco is not fit for wrapper tobacco in this country.

Mr. HILL. Have you any information as to the area where exportable tobacco is being raised to-day in the Philippine Islands?

Mr. WAXELBAUM. It is not a question of what is being raised, but of what will be raised.

Mr. HILL. Have you any information as to the area available in the Philippine Islands where it is possible to be raised for export?

Mr. WAXELBAUM. No, sir; I have not.

Mr. HILL. I would suggest that that is very valuable information.

Mr. WAXELBAUM. May I ask you the question as to what it is? What does the Philippine government claim is the area? I know they have raised, before 1885, enormous quantities of wrapper tobacco.

Mr. HILL. Have you definite information on that?

Mr. WAXELBAUM. I have not the authorities with me, but I can get them.

Mr. WILLIAM ALDEN SMITH. How large is your investment in the South in your concern?

Mr. WAXELBAUM. If I were to tell you what that thing has cost us in dollars and cents I would be ashamed. We have been in there for years, and one gentleman said here that he lost \$170,000 down there. That was before we took hold of it.

Mr. WILLIAM ALDEN SMITH. Do you have a corporation?

Mr. WAXELBAUM. No, sir; it is a private firm.

Mr. WILLIAM ALDEN SMITH. How much capitalization is there in your industry?

Mr. WAXELBAUM. That is a part of another industry; it is all in one concern. We also import Sumatra tobacco and other tobacco.

Mr. WILLIAM ALDEN SMITH. I thought I heard you say that you had \$5,000,000 invested down there?

Mr. WAXELBAUM. No, sir; I said we have spent \$5,000,000 there since we started in 1891. I would also like to make this little statement, that our place there was miles from a railroad until two years ago, when the cold-blooded Atlantic Coast Line, seeing the possibility of an increase in earnings out in that direction and the possibilities of this place, put in a 12-mile spur to reach this tobacco we are raising and what we are taking from the farmers around that locality.

Mr. HILL. Let me ask you this hypothetical question: If you knew that the tobacco in all forms produced in the Philippine Islands was less than the production of your firm in Georgia, and if you knew that the entire force employed in the manufacture of tobacco, cigars, snuff, and cigarettes, and everything in the way of tobacco in the Philippine Islands was less than the entire number of people employed by you, would you fear their competition?

Mr. WAXELBAUM. I would not fear what it amounts to to-day. But if this legislation passes those Dutch companies, who are as shrewd as they make them, right across the channel, will come over from Sumatra, and they can raise that tobacco. Your expert in the Philippine Islands has told us so.

Mr. HILL. If you knew that this industry had been in existence in the Philippine Islands for one hundred years before the Pilgrims landed at Plymouth Rock, and had reached no further form or development than I have stated to you, would you fear it?

Mr. WAXELBAUM. Possibly not. They have had the same advantages as in Sumatra, and the same duty that keeps out the Philippine

tobacco keeps theirs out; but now, with this legislation, they can go right to the Philippine Islands and raise this tobacco. Your own experts have stated so.

Mr. GROSVENOR. How many of the islands, and what islands, are there on which they can raise that tobacco?

Mr. WAXELBAUM. I have not gone into details.

Mr. GROSVENOR. You are afraid of something that you are only dreaming about?

Mr. WAXELBAUM. No, sir; I am only going on what has been given and shown to me as facts. Mr. Dorsey, the expert of the Philippines, has declared in his report that they can raise Sumatra tobacco in the Philippines.

Mr. GROSVENOR. Oh, very well, But you talk about the enormous quantity of it. Now, let me state to you that 65 per cent of the product of those islands is hemp, and that can not be raised anywhere else.

Mr. WAXELBAUM. My dear sir, considering what it is costing us to raise this tobacco in this country, they will stop raising hemp. They will not raise any hemp.

Mr. GROSVENOR. There is no other place in the world where hemp can grow, of this character, except there. They have a natural monopoly of the hemp industry.

Now, the next thing we are threatened with is a tremendous growth of sugar.

Mr. WAXELBAUM. Yes, sir.

Mr. GROSVENOR. That is to spread all around. Then comes the cocoanut, and that is to spread and monopolize the earth; and now you think that it is going to be tobacco.

Mr. WAXELBAUM. I have shown you that with what this country is using it will only require 9,000,000 acres of tobacco, under shade, to supply the United States.

Mr. GROSVENOR. Now, you have reached this point, if I understand the logic of your final statement: You have no fear of the present conditions in the Philippine Islands.

Mr. WAXELBAUM. Not with the existing tariff; no, sir.

Mr. GROSVENOR. Either with or without it?

Mr. WAXELBAUM. Oh, yes; but if you keep on this tariff, I do not care what you do.

Mr. GROSVENOR. I am talking about present conditions. And you do not know that there is another acre of land in the Philippine Islands that will produce tobacco; from your own knowledge you do not know anything about it?

Mr. WAXELBAUM. I have been told that there are only 7,000,000 acres of land available in the Philippines.

Mr. GROSVENOR. And it will all go into tobacco?

Mr. WAXELBAUM. No, sir; they don't need to use it all. Nine thousand acres of Sumatra tobacco grown over there will supply the United States.

Mr. GROSVENOR. But you do not know that that land will raise it.

Mr. WAXELBAUM. The expert of the Philippine Islands has so stated.

Mr. GROSVENOR. But you do not know whether that land will raise it, I say.

Mr. WAXELBAUM. I am not a grower, but if I can not believe the testimony of an expert, what can I believe? If I don't know that,

you do not know what I have said here. You have got to take my word for it.

Mr. GROSVENOR. Very well; that is all.

STATEMENT OF J. L. McFARLIN, OF FLORIDA.

(*Against the bill.*)

Mr. McCLEARY. Do you live in Florida now?

Mr. McFARLIN. Yes, sir; and I have been farming tobacco for fifty years, and I am now representing a firm in Chicago which has eight stockholders, Krauss, Nathan, Yates & Co., and several minor stockholders. I am individually interested in the business.

In presenting to you the data upon the subject of reducing or the revision of the tariff of the Philippine Islands, I will try to argue this subject from an unselfish standpoint, however, being directly and individually interested in the State of Florida, Alabama, and Texas. I know of but one ground on which this subject can be successfully argued, and that is in reducing the tariff on the different commodities from these islands—what will be the benefit, whom will it benefit, and whom it will damage—and before arguing the subject upon these grounds I beg to call your attention to the fact that numbers and population, not areas in land, should be compared, for it is my opinion a native of the United States or a person belonging to the Caucasian race should have more weight than a native of the Philippine Islands. As to whom this reduction would benefit, I daresay it will not be the natives of the islands, but shrewd Americans and foreigners who see the opportunity and benefit from what, in my judgment, is class legislation.

What will be the benefit from this reduction? Is it for the purpose of stimulating industries in what you might term a foreign country? Or is it for the purpose of stimulating and assisting manufacturers so as to give the natives work, that the manufacturers may be benefited by the cheap labor? Or is it for the purpose of introducing and helping the natives to better produce the agricultural products and thereby give to the natives more wealth to purchase the manufactured products of America? Or shall we view it from a humanitarian standpoint and argue that these people are Americans, not by birth, but by adoption from the spoils of war, and should be given the same opportunities as natives of America? If to these arguments you answer yes, why not assist them with our superior knowledge in every way and letting into our country every commodity of the farms and manufactures free? The mere fact that you desire to amend or reduce this tariff is conclusive evidence to the intelligent American that you are trying to stretch your conscience by degrees, and I daresay that if left to the popular vote of the American people the Filipinos would be treated as American citizens or else foreigners, and if treated as Americans every vestige of tariff would be removed, for they are either foreigners or American citizens.

Now, as to who it damages by reducing or amending the tariff regulations is so great a question that I have not the time nor neither would I encroach upon your time to try and explain, either by giving statistics or information. But it seems if you are going to lower

the duties on the products of these islands, or the manufactured commodities, you should amend your immigration laws so as to give to the farmers and manufacturers of America the same opportunity to obtain cheap labor and thereby compete with these commodities. I have not the data to give you that will explain the difference that cheap labor would amount to unless I knew in what form the development of the Philippine Islands was intended by those who champion their cause.

Mr. UNDERWOOD. Whereabouts in the law does it prevent you from getting cheap labor?

Mr. MCFARLIN. I can not get cooly labor; that is what they have there. They pay them 12 cents a day.

Mr. UNDERWOOD. You can get labor from Europe.

Mr. MCFARLIN. What kind can I get? If you would amend the law so that I could get coolies it would be all right.

The CHAIRMAN. There are about 30,000 or 40,000 coolies there, and none of them are engaged in labor.

Mr. HILL. And the Chinese restriction act is as strict there as it is here.

The CHAIRMAN. You have the same opportunities for getting labor here.

Mr. MCFARLIN. No; I beg your pardon.

The CHAIRMAN. If you wanted to bring in labor you could bring the Filipinos over here, if you wanted to.

Mr. MCFARLIN. We have been investigating that matter, and we would like to get in foreign labor, and cheap labor especially.

The CHAIRMAN. You would like to get coolies?

Mr. MCFARLIN. Yes, sir. The wage-earner of the United States receives more than three times as much per diem as is paid in any other highly civilized country of the world. If this be the case on the Philippine Islands there is no commodity manufactured nor no product of the soil but what can be produced there at a lower price than in America. If the development of the Philippines takes the form of agriculture the farmers engaged in the raising of the same product in America are at a disadvantage.

Mr. UNDERWOOD. What part of Alabama are you located in?

Mr. MCFARLIN. Marion. I bought the Marion crop.

Mr. UNDERWOOD. You paid 15 cents a pound?

Mr. MCFARLIN. Yes, sir.

Mr. UNDERWOOD. What is the cost of raising tobacco in that neighborhood—at Marion?

Mr. MCFARLIN. I suppose it costs them 8 to 10 cents a pound.

Mr. UNDERWOOD. What does it cost in Florida to raise that tobacco?

Mr. MCFARLIN. Fifteen cents a pound.

Mr. UNDERWOOD. What does it cost in Cuba?

Mr. MCFARLIN. Ten or 12 cents, I suppose.

Mr. UNDERWOOD. It will cost more in Cuba than in Marion?

Mr. MCFARLIN. Labor is higher in Cuba than in Florida or in Alabama.

Mr. UNDERWOOD. Have you any statistics to show what it will cost to raise that crop in the Philippine Islands?

Mr. MCFARLIN. It will be very easy to tell. I know how many men it takes to raise an acre of tobacco. I know this positively, that labor over there is from 12 to 15 cents a day, and one man can raise an acre

of tobacco, and it takes ninety days to raise it, and the lands are so rich that they need no fertilizer, and you multiply 15 cents by ninety and you will get the cost of the tobacco.

Mr. UNDERWOOD. Did you ever see any richer land than that black-belt land there?

Mr. McFARLIN. No, sir; but the lands that will grow tobacco in the Philippines grow fine tobacco.

Mr. UNDERWOOD. Even on that rich land in the black belt it is necessary to fertilize.

Mr. McFARLIN. No, sir.

Mr. UNDERWOOD. They do fertilize.

Mr. McFARLIN. I am growing in Texas without an ounce of fertilizer.

Mr. UNDERWOOD. At Marion they fertilize?

Mr. McFARLIN. They may a little, but that is to stimulate the crop along and to get it off.

Mr. UNDERWOOD. I would like to have you give me the number of men and the amount of fertilizer necessary and what it will cost to raise a crop over there.

Mr. McFARLIN. In the Philippines?

Mr. UNDERWOOD. Yes.

Mr. McFARLIN. It is an established fact that I can take any one man in the United States and put him on an acre of tobacco and he can raise the tobacco on that acre of land—he can plant it and plow it and grow it.

The CHAIRMAN. How much do you pay him?

Mr. McFARLIN. From \$1 to \$1.25 a day.

The CHAIRMAN. Is that the principal cost of raising that acre of tobacco?

Mr. McFARLIN. That is the principal cost—the labor.

The CHAIRMAN. That is a pretty good price, on that basis, is it not?

Mr. McFARLIN. Certainly. I would not be into it if it was not.

Mr. HILL. You are raising tobacco in the shade in Florida now successfully?

Mr. McFARLIN. Yes, sir.

Mr. HILL. How many acres have you there?

Mr. McFARLIN. About 3,000 acres under shade.

Mr. HILL. Do you agree with the statement of Mr. Waxelbaum that 9,000 acres will produce all the tobacco needed in the United States?

Mr. McFARLIN. It will furnish about the same amount that is yearly imported from Sumatra.

Mr. HILL. Is it a marked success?

Mr. McFARLIN. Yes, sir.

Mr. HILL. And the probability is that there will be a few thousand acres in Sumatra?

Mr. McFARLIN. Yes, sir; they are developing the capacity.

Mr. HILL. Where will our farmers in Connecticut be who are raising tobacco, when you are raising 9,000 acres of tobacco?

Mr. McFARLIN. They attempt to raise it.

Mr. HILL. But those who are raising particularly seed leaf?

Mr. McFARLIN. It does not interfere with them at all. Those two

grades are sowed side by side, and they make entirely different grades of cigars, and each one has its preference.

Mr. HILL. Then do you agree that 9,000 acres will supply the needs of the United States?

Mr. MCFARLIN. I said that tobacco would take the place in our market of Sumatra tobacco.

Mr. HILL. In your judgment it is not necessary to find some other market for our wrappers in case this success is coming to our producers in Florida?

Mr. MCFARLIN. The way it looks to me is that I am ready and willing to let well enough alone. I do not know what can be raised there.

Mr. HILL. What is the price that you get for your wrappers in Florida?

Mr. MCFARLIN. The farmers are paid this year from 45 to 60 cents from their barns. That is just as it comes from the barns.

Mr. HILL. For wrappers?

Mr. MCFARLIN. Wrappers, fillers, and scraps, and everything else in it.

Mr. HILL. What proportion of that will be selected as wrappers?

Mr. MCFARLIN. About 70 per cent—from 60 to 70 per cent wrappers.

Mr. HILL. From 60 to 70 per cent wrappers. The average would be about 55 cents, selling some at 40 cents?

Mr. MCFARLIN. I said from 45 to 60 cents. The average would be 55 cents.

Mr. HILL. Would you not consider it as good business if you could by any operation get from 5 to 10 cents a pound more on those wrappers?

Mr. MCFARLIN. Yes, sir.

Mr. GROSVENOR. I wanted you to finish that statement about the impossibility of raising that tobacco in Connecticut.

Mr. MCFARLIN. You have too many Connecticut men here to-day. I will send to the Agricultural Department and bring some of those men over here, who may be able to explain to you better than I can.

Mr. WILLIAM ALDEN SMITH. How much of an investment has your concern?

Mr. MCFARLIN. We have used \$500,000 in Florida.

Mr. WILLIAM ALDEN SMITH. How many men do you employ?

Mr. MCFARLIN. About 500, and 400 women.

Mr. WILLIAM ALDEN SMITH. And you say that the average wage is about how much?

Mr. MCFARLIN. The average wage of a colored man is from 75 cents a day to a dollar and a quarter a day. The colored women in my packing house to-day are making 85 cents to \$1.35 a day.

Mr. WILLIAM ALDEN SMITH. You are evidently a protectionist.

Mr. MCFARLIN. I have always been.

For every product of the soil is but the effect of labor, and when the government of any country depresses the farmer by legislation they are drawing upon the reserve wealth of their country.

Viewing the Philippine tariff revision or reduction from a selfish standpoint, being directly interested in three States, namely, Florida, Alabama, and Texas, being engaged in the particular business that I desire to call your attention to, and that is the growing of tobacco,

and in presenting this subject to you, I will confine my remarks and statistics to these three States and try and give to you honestly the effects that a reduction would have upon the same. In Florida there is in four counties more than \$10,000,000 invested in the culture of tobacco, giving employment, including those who are engaged in it, to no less than 100,000 people. The annual production from this State alone is over 4,000,000 pounds, and the value is more than \$1,000,000. This industry is now in its infancy, for I am speaking more particularly of what you might term an artificial tobacco, or that grown under cloth or slats. For years the people of Florida in these counties have experimented and battled, with success, to grow a tobacco that would compete with Sumatra, and just as it has passed the experimental stage, and as they can now see the dawn of success, to have this industry crippled and perhaps totally destroyed by legislation and for the benefit, not of our equal or our fellow-man, but for a lower class of cheap and worthless mongrel labor, seems to me an injustice.

If given the same protection that we have enjoyed in the past in a few years these three States that I have mentioned above will produce enough tobacco of the finer grades, comparing with the Sumatra, to supply the United States. This will mean the taking place of 37,000 bales of Sumatra annually imported and valued at more than \$6,000,000. The majority of such an amount being paid out in the United States would directly interest and benefit more than anyone else the laboring class. You may ask why I mention Sumatra tobacco in connection with the Philippines. For two reasons. First, you are doubtless aware that there is a large seacoast and many islands where the Sumatra could be smuggled in; therefore many opportunities and temptations to the shrewd Americans to smuggle into these islands and reship to America as Manila tobacco. Another reason is that there is now existing 23 cents duty on Sumatra tobacco imported into the Philippine Islands, and should you reduce the tariff as scheduled, 25 per cent would mean only 46 cents duty to be paid when exported to the United States. We would then be protected by a duty not of \$1.85 per pound, but only 69 cents per pound.

The Philippine Islands are noted for their rich lands, and the shrewd Americans will no doubt, if you reduce the tariff, introduce the methods of growing tobacco that are carried on in the United States and in the island of Sumatra, and thereby possibly produce an article equally as good as Sumatra. In such a case the American industry of growing tobacco would be protected by only 46 cents duty.

Since what I might term the artificial tobacco is grown in Florida, having passed the experimental stage, this Government, through its Agricultural Department, realizing its merits, are spending thousands upon thousands of dollars to develop this industry in other States, causing the farmers and citizens to make investments, and for you by legislation to cripple this industry is certainly a direct contradiction of your own work and an injustice to the public. For in the State of Texas the Government, through its Agricultural Department, has eight men encouraging the farmers to grow tobacco similar to Florida, using every argument that can be thought of, and more particularly that the boll weevil will in a few years ruin the cotton industry, and they think they are doing noble work in introducing a new industry to take the place of this one destroyed by insects. Their

work is causing the expenditure of vast sums of money by the populace, which will not be taken away by the slow work of insects, but by legislation within itself.

There is no question but the Government, in its Agricultural Department, are doing the farmers of the South and elsewhere noble work, and Congress should aid them by making suitable appropriations. But if by legislation you are going to thwart their efforts, you are doing an injustice to yourself and to the populace in general.

In conclusion, I ask you in the name and representing thousands of wage-earners and investors, to allow to American citizens, those who call America home and who are of the same flesh and blood that you are—for America and its citizens are one great family, and what is good for one should be good for all—and should you see fit to reduce the tariff from the Philippine Islands, amend your immigration laws, whereby we can obtain cheap labor and thereby put on an equality, so that we may be able to compete with them in any manufactured product or product grown from the soil. Why not develop new industries in these islands which will not affect the already hard-earned and established businesses of American citizens?

I also call your attention to the fact that any great development of these islands will be a menace to the peace and prosperity of the United States, for if you should introduce American ways, not alone in farming but in manufacturing, you would create a jealousy in the foreign countries that would eventually give you trouble.

I was notified to appear before your body on the 14th at 11 o'clock, and had to travel from Florida to Washington, and I trust that the few remarks I have made may open up new thoughts and ideas that will benefit all Americans.

I thank you for your attention.

STATEMENT OF MR. D. A. SHAW, OF QUINCY, FLA., REPRESENTING THE FLORIDA TOBACCO COMPANY.

Against the bill.

Mr. SHAW. There was a question asked by the gentleman from Connecticut about this 75-cent tobacco in connection with the uniform price given by Waxelbaum. I want to explain that a little more fully than he did by saying that 75 cents for all grades of that tobacco meant for the scraps.

Mr. HILL. The strips?

Mr. SHAW. No, sir; the little particles of broken tobacco, almost worthless. Then there are these wrappers, what the Sumatra people call "stick-block," very low grade. Then there is the medium-colored tobacco, which is a little cheaper, and which I might say is dark, and then the very fine grades of light wrappers. Taking all that together and giving the price for it in a lump, he stated it correctly at 75 cents; but that did not really and truly show what our tobaccos are, and what this tobacco for which we are striving brings. That tobacco brings \$1.75 to \$2 a pound.

Mr. HILL. What is the price you get for the average wrapper that will wrap a 5 or 10 cent cigar?

Mr. SHAW. We get about \$2 a pound for anything that would do that.

Mr. McCLEARY. You say \$2 a pound; whom do you mean by "we?"

Mr. SHAW. The growers, packers, and dealers. That is all combined, as a rule, under one head in Florida.

Mr. McCLEARY. Two dollars a pound is the cost of that tobacco to the manufacturer of the cigars, is that right?

Mr. SHAW. No, sir; that is the cost of the finest grades per pound, and we get a small per cent of that fancy.

Mr. McCLEARY. What per cent?

Mr. SHAW. Of the fancy grade, I will say 20 per cent.

Mr. McCLEARY. This cost of \$2 a pound, is that to the man who makes the cigars?

Mr. SHAW. Yes, sir; \$2 a pound. That is brought about by this high protective duty which I understand Mr. Hill was in favor of a few years ago.

Mr. HILL. I am in favor of it still.

Mr. SHAW. Thank you; I am very glad, indeed, to hear that. There is another thing that I wanted to mention here. Some of you gentlemen here seem to be confused about this. There are two types of tobacco—the sun-grown and the shade-grown tobacco. They are just as separate and distinct from each other as chalk is from cheese.

Mr. GROSVENOR. Which is it that they grow in the Philippine Islands? What kind do they raise in the Philippines?

Mr. SHAW. We are told that they can raise as fine tobacco there as is grown in the island of Sumatra. That is our big bugaboo.

Mr. GROSVENOR. If it should turn out that they never did raise and could not raise anything to compare with that, you would not be so alarmed?

Mr. SHAW. We have information that they can and do.

Mr. GROSVENOR. I have a bundle of that Manila tobacco that I can show you, and you can see what it is.

Mr. SHAW. I have seen that tobacco in Baltimore at a cigar factory, and the gentleman said at that time that that was a tobacco of quality. That was when I was in New York, working with a firm there.

Mr. GROSVENOR. I have some that I would like to show you, which was said to be about the best.

Mr. SHAW. I am afraid you got poor samples.

Mr. GROSVENOR. I got the best there was, and I did not buy it in Baltimore, either.

Mr. SHAW. I guess if you let Mr. Waxelbaum, sr., go over there he would show you something that will equal any American tobacco.

Mr. HILL. That is simply a guess?

Mr. SHAW. No, sir; it is not.

The CHAIRMAN. Do you mean to say that you ever found a good Manila cigar that you could smoke the whole of?

Mr. SHAW. Yes, sir.

The CHAIRMAN. I have tried to find that, and I have not been able to.

Mr. SHAW. Mr. Waxelbaum's father will send you a good cigar. They are in touch with that country over there, and they can get that tobacco.

Mr. HILL. How are they in touch with it?

Mr. SHAW. I am simply telling you what was stated to me—what

I have been told. The Philippines are very close neighbors of Sumatra.

I was telegraphed on the 13th instant that action would be taken on the Philippine question to-day by you, and if my argument is crude, gentlemen, I beg you to take my word for it that it is sincere, and my apology is that I am not accustomed to parliamentary rules and usages; but believe me that it is a plea for an industry that is as dear to me as any fond business venture could be to a mortal. In 1894 the lamented Hon. L. A. Schroeder, mayor of Brooklyn, employed me to represent his firm, Schroeder & Bon, of New York City, in Florida, to grow, buy, and pack cigar leaf tobacco for them, which I did with varying success until 1896, when he asked me to grow some tobacco for them under trees on his plantations, since he had found fancy wrapper tobacco had been produced in Cuba under banana and fruit trees. I dissuaded him, telling him that the trees would sap the plants in dry seasons, but to let me try it under artificial shade, and thus conserve the moisture in the soil. He permitted me to erect and grow one-quarter acre of shade tobacco, with which he was pleased. Next year he let me increase it to one acre, which was a grand success. Then he wired me to come to New York, and told me to erect and grow all the shade tobacco I could from Sumatra seed up to a half million of dollars.

We tried to get a patent on the idea of growing tobacco under shade, but this was refused by the Commissioner. In my humble opinion we were as much entitled to this patent as Westinghouse was to his on the air brake; but I am digressing. We then had some trouble about getting a good burn, the shade causing the soil to acidify to some extent; but after many trials and tribulations this industry has finally triumphed, and, against prejudice and the fine types of imported tobacco, we now market our goods at a profit. But this shade tobacco costs us for land, structures, barns, fertilizers, irrigation, and houses for employees \$1,000 per acre for the first year to install.

Now, I do not want to tread on any Filipino's toes or feelings in any way, because I do not for a minute say that there are not as fine gentlemen there as any place in the world.

Of course it is not so much after it is once installed, but costs of repairs are very heavy indeed. All this time we have been protected by \$1.85 duty per pound on the imported Sumatra tobacco, which is our principal competitor and of which our tobacco is an actual reproduction. True, Porto Rico has been granted a reduction in duty, to which we have never raised our voice in protest, for they were a small country and we did not fear their competition. As to the Filipinos, they should be treated, in my opinion, as foreigners or Americans with all the rights of Americans; but they are not Americans, and are really a semibarbarous people. Remember, gentlemen, Sumatra tobacco is imported into these islands at 23 cents per pound duty; then if you permit them a tariff of only 25 per cent our present duty, or 46 cents per pound, our friends the Hollanders can land their Sumatra tobacco in our ports at 69 cents per pound, and we will not benefit in any way the Filipino. But say you put our duty of \$1.85 per pound on all tobacco imported into the Philippines, reflect what a time Uncle Sam will have to police the coasts of these thousand islands and prevent Sumatra tobacco from being smuggled

therein and then sent here at 46 cents per pound duty. Our Government is spending thousands upon thousands of dollars through our efficient Department of Agriculture in developing a fine type of filler or sun-grown tobacco and wrappers or shade-grown tobacco throughout the United States.

By the way, we contracted for a pile of that stuff last year and this year too, a long way ahead of the time it was planted in the ground, just because we had this protective tariff.

This industry has attained enormous proportions in Florida and Georgia, as well as Texas and Alabama to some extent, to say nothing of the larger tobacco growing States in the North, and northern capital and southern skill and labor are moving on to the point where I make the candid statement that if unmolested for five years we can produce enough wrapper tobacco for the needs of this entire country; and consider, gentlemen, the amount of money this would put into circulation in our own land and the vast army of well-paid, happy Americans this would employ, both in the growing and manufacture of tobacco here in our beloved country. It is argued that the Filipino operates in such a crude way that their development will be so slow as not to affect us. Suppose they had vast coal and iron fields there that would compete with us here, do you suppose for a moment that our coal barons and coal-road magnates would not consider their interests in great danger? No; they would marshal their brightest intellects and their untold millions to exclude this competition.

Mr. GROSVENOR. Do you think that they have not coal there?

Mr. SHAW. Then let coal and iron be put on the free list. Let steel rails be put on the free list. I am supposing a case. Coal and iron, of course, have to be contiguous to be profitable. Suppose the two were combined in one nice place like this at Birmingham.

The CHAIRMAN. Everything is put on the free list after 1909.

Mr. SHAW. I am showing that if they could export these things out of their country it would hurt the Americans. That is my supposition.

The CHAIRMAN. We have had people here talking about sugar, and we have had the tobacco men here, and now you are bringing in the iron and steel manufacturers. Another dream.

Mr. SHAW. We think that we are wide awake. We may be doped to such an extent that we do not know whether we are awake or dreaming, but we think we are wide awake.

They would use every effort to exclude this competition, and I dare say they would be listened to, and no hurtful legislation would be passed to affect this highly protected interest that has coined millions to our single dollars. Gentlemen, is this right to take away our protection as American citizens and continue to protect them and other industries too numerous to mention? If you want to help the Filipino, take it from the general fund, and not keep on compelling us tobacco people to help Cuba, Porto Rico, the Philippines, and what not. Gentlemen, we must be consistent and honorable Americans, and this can only be done by giving the people their independence, as we have done with Cuba, and then have reciprocity that is reciprocity. By this I mean no reciprocity like ours with Cuba, which permits them to send their tobacco here at 27 cents per pound and they put a duty of \$5 per pound on our tobacco. But they let our machinery and some manufactured articles in their country prac-

tically free, helping out our iron and machinery manufactures, helping the Cubans, and crushing the American tobacco-growing manufacturer.

Gentlemen, it makes a whole difference "whose ox is gored" as to who does the bellowing. Let discretion be the better part of valor; let us make the best we can of a bad job. We can not hold these islands so far away from our home base against any first-class power. We will be attacked if war ever comes (may it never come is my prayer) at our weakest point. We all know this is our weakest point. So while no clouds are lowering take steps to give these islands their independence and get back to our old American traditions—"America for Americans, with no entangling alliances or cumbersome burdens in the way of possessions thousands of miles away." Imagine, gentlemen, our President, a good and noble man, whom we all love to call our President, issuing a call for a million volunteers to defend the Philippines—would our hearts throb in unison to support him? But let his call sound forth for a million men, good and true, to defend our own beloved soil. We would be turned away by the thousands by him saying that "I have no use for so many." So away with this miserable, imperialistic fallacy into which we are drifting, which is fastening on us this hoard which expect to feast on us.

Give these mongrel Latin races the reins of their own destinies into their own hands or else let them learn to say the simply English word "enough," and not be constantly hounding us, saying, "Give unto us more and more." Let us as Americans strenuously develop our unlimited resources. The arms of the North, the East, and West are open to all worthy ones, saying, "Come," and the arms of our Southland are stretched out as never before, saying, "We are journeying, brethren, come and go with us and we will do thee good." Thus with the Lord Almighty's blessing, if united, we can say that we fear no evil. But listen. In this Philippine venture if we follow the deceptive and sinful call of expansion and territorial aggrandizement, I for one can plainly see the handwriting on the wall. I beseech you to beware before it is too late. I thank you, gentlemen, for your courtesy and attention, and feel that you will give us a helping hand by simply giving us justice.

At 11.40 o'clock a. m. the committee took a recess until 1 o'clock p. m.

AFTERNOON SESSION.

The committee reconvened at 1 o'clock p. m., Hon. Sereno E. Payne in the chair.

Members present: Messrs. Dalzell, McCleary, McCall, Babcock, Hill, Boutell, Curtis, Needham, Smith, Clark, and Underwood.

STATEMENT OF MR. WALTER A. SCHIFFER, OF THE UNITED CIGAR MANUFACTURERS, OF NEW YORK CITY.

(See also p. 174.)

Against the bill.

Mr. SCHIFFER. Chairman of the Ways and Means Committee and gentlemen, the cigar manufacturing trade of the United States desire to give your honorable body a plain statement of the present existing conditions of trade, relying upon your sense of fairness and justice

to not recommend changes that will, in our opinion, seriously menace its future growth and prosperity and in all probability certainly curtail its present production.

The cigar-manufacturing industry of this country has been built up to its present magnitude mainly through the protective tariff that has been in operation since the close of the civil war. To absolutely prove this assertion I beg to refer you to the statistics of the internal-revenue department. Previous to the year 1864 there were manufactured in this country less than 200,000,000 cigars per annum. Within the next ten years the industry increased to 1,779,000,000. In each decade the trade under a protective tariff has increased as follows:

1880	2,367,000,000
1890	4,087,000,000
1900	5,963,000,000

During the fiscal year 1905 the cigar-manufacturing trade of the United States produced 7,589,337,206 cigars, paying the Government \$20,976,091.95 internal-revenue tax and \$20,482,809.99 import duties on tobaccos.

And it suggests itself to me that an industry which pays this Government such a large amount of money should be seriously considered before taking any action that would affect its interest.

This wonderful development has been possible for the reason that our industry has been directly fostered by a protective tariff.

Mr. HILL. What is your production?

Mr. SCHIFFER. Close to 400,000,000 cigars per annum.

Mr. HILL. How many people do you employ, men and women?

Mr. SCHIFFER. Ten thousand people.

Mr. HILL. The capital invested is about how much, in the aggregate?

Mr. SCHIFFER. I suppose about——

Mr. HILL. Just in round numbers.

Mr. SCHIFFER. Seven or eight million dollars.

Mr. HILL. That is all.

Mr. SCHIFFER. This wonderful development has been possible for the reason that our industry has been directly fostered by a protective tariff. As a further illustration, we beg to call your attention to the importation of Habana cigars before the enactment of the McKinley bill, which for the years 1886-1890 averaged 1,150,000 pounds. After the enactment of the McKinley bill this quantity was decreased in 1891 to 885,000 pounds, in 1892 to 658,000 pounds, and in 1894 to 463,000 pounds. During this same period our cigar production increased as follows: In 1889 we produced 3,867,000,000; in 1890, 4,087,000,000, and in 1891, 4,447,000,000, showing conclusively that a high duty on the manufactured product benefits our industry.

We are to-day asked to consent to the taking off of all import duties on cigars and tobaccos produced in the Philippine Islands, and while we admit that our newly acquired family in the Philippines is entitled to consideration, it should hardly be given entirely at the expense of two domestic manufacturing industries. Your committee has for years been waited on by delegates of manufacturers who have cried for the protection of the American laboring men, showing that the average wages of our operatives, in comparison to what is paid in European countries, makes it impossible for us to produce American-made goods so as to compete with the production

of these foreign countries without the aid of the tariff. You ask us here to submit to the entry of cigars without payment of duty in competition with the cooly labor of the Orient, which is lower paid than the pauper labor of Europe.

I ask you, gentlemen, again, how can an American manufacturer who pays living wages to his operatives, pays rent, taxes, import duties, and the current prices for tobaccos (which, by the way, are higher than they have been for years) successfully compete with the Philippine manufacturer who employs labor at the rate of 37½ cents per day, manufacturing under climatic conditions more favorable than ours, with tobacco raised at his very door by cooly labor, enabling him to produce a cigar at one-third of its cost to us?

To-day we are asked to allow the product of the Philippine Islands to come in free, and while cigars produced at the present moment in the Philippines may not be a serious menace to our industry, still, gentlemen, you must bear in mind that with an unlimited supply of cheap labor this production can be largely increased, and their tobaccos can be improved by more intelligent methods of cultivation, bearing in mind always the great advantage they have in the employment of cheap labor.

I am also informed that the entire manufacturing cigar industry is in the hands of European houses controlling large amounts of capital, and who are anxiously waiting for this country to take off import duties and then to flood the market with all grades of Manila cigars; consequently the benefits of the sacrifice we are asked to make will not go to the natives of the Philippines, but to European capitalists.

There are many people who claim that a Manila cigar will not compete with our product, being unlike in taste. In answer, I wish to state that smoking is a habit, that none of us were born smokers, and probably started smoking corn-silk cigarettes, smoking beans, etc., until we acquired the habit of smoking cigars, and while the American public as a class are at present unacquainted with Manila cigars, if these cigars are allowed to come in without any duty the public will try them as a matter of curiosity and for the reason that they can be bought for much less than our own product, will in time acquire a taste for them, and in the end our great industry will be seriously curtailed if not permanently transferred to the Philippine Islands. As an illustration that cigar smoking is a habit, I attended a social function in Rome some three years ago, and after a very fine dinner the host passed around a box of fine Habana cigars. My neighbor at my right, an American who had lived in Italy for a number of years, declined the fine Habana cigar and took out of his pocket an Italian Regie cigar, called a Virginian, made entirely of Kentucky tobaccos, and informed me he was so used to smoking Italian cigars (which are notoriously bad) that he did not care to smoke anything else, regardless of quality, showing that smoking is a question of habit and education.

The layman as a rule does not understand the intricacies of the cigar-manufacturing trade, and I should like to give you a simple illustration of the evils that would result from the abolition of the tax on Philippine cigars.

The cigar-manufacturing trade is divided into three divisions: The first division manufactures stogies and cheroots, this line of

goods being sold all the way from \$9 to \$15 per 1,000 to the trade and are retailed at three for 5 cents to four for 10 cents.

The second division manufactures nickel and seed and Habana cigars, the nickel cigars being sold to the retail trade at about \$35 per 1,000 and retailed for 5 cents each. The seed and Habana cigars are sold to the retail trade at from \$60 to \$70 per 1,000 and are retailed from three for a quarter up to 10 cents straight.

The third division manufactures clear Habana cigars, and these goods are usually sold at from \$50 to \$150 per 1,000 and retailed at from 10 cents straight up to 25 cents.

Ninety-five per cent of the cigars produced in this country are the product of the manufacturers of stogies and cheroots and nickel and seed Habana cigars, the balance being produced by the manufacturers of clear Habana cigars. The total abolition of the tax on Philippine cigars would in my opinion destroy both the cheroot and nickel production of cigars of this country, and in this production the largest quantities of American tobaccos are used, so that our tobacco-raising interests would be seriously affected.

The term "importer of cigars" to-day is applied to the importer of Habana goods, or the highest-priced cigars that are used in this country; but some of the older members of our trade have often stated to me that the importation of German cigars was at one time a very large business, and I am told by some of these men that cigars were landed previous to the enactment of the first tariff bill in New York at from \$5 per 1,000 upward, and, gentlemen, this is what you confront our trade with by taking off the tax on Philippine cigars.

STATEMENT OF MR. FRANK McCOY, OF T. J. DUNN & CO., CIGAR MANUFACTURERS, NEW YORK CITY.

Against the bill.

Mr. McCoy. Mr. Chairman of the Ways and Means Committee and gentlemen, I have made the following extract from the public hearing on the Philippine question of August, 1905. On page 93 you will find an estimate of cost of a perfecto cigar, made from first selections of Manila tobacco, packed 25 in a box, each cigar in tin foil and banded, viz: The tobacco costs 30.04 pesos, or \$15.02 American money; material, consisting of boxes, rings, tin foil, labels, and paper for lining box, costs 9.70 pesos, or \$4.85 American; manufacturing cost, including selection of leaf, stemming, selection of wrapper, putting on rings, wrapping in tin foil, packing, and sealing, 17.18 pesos, or \$8.59 American money; general expense, 2 pesos, or \$1 American money; total cost of 1,000 cigars completely made in Manila, 58.92 pesos, or \$29.46 American money. We will take this cigar as a basis for our calculation to show your committee what this cigar will cost landed in the United States under the present existing rate of duty, viz, 75 per cent of the Dingley rate.

Cost of cigar at Manila, \$29.46. Perfecto cigar weighs about 14 pounds. Rate, 75 per cent Dingley tariff.

14 pounds, at \$3.38 per pound	\$47.32
18½ per cent ad valorem on \$29.46	5.52
Cost of cigar at Manila	29.46
Freight charges for landing in American port	.40

Total	82.70
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Estimate of same cigar with 50 per cent reduction of Dingley rates:

14 pounds, at \$2.25 per pound	\$31.50
12½ per cent ad valorem on \$29.46	.68
Cost at Manila	29.46
Freight charges	.40
Total	65.04

Estimate of same cigar with 25 per cent rate of Dingley tariff:

14 pounds, at \$1.12½	\$15.75
6½ per cent ad valorem on \$29.46	1.47
Cost at Manila	29.46
Freight charges	.40

Total	47.08
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I will now give you an estimate of the cost of the same cigar, packed in same way, made entirely from Habana tobacco, manufactured in the United States.

Clear Habana perfecto cigar.

Tobacco :

Wrapper	\$30.00
Filler	20.00
	<u>\$50.00</u>

Material, boxes, etc. :

Forty boxes, 6 cents each	2.40
Rings	.90
Tin foil	3.00
Labels	1.00

7.30

Manufacturing cost :

Selection of tobaccos	2.00
Stemming	1.25
Making	34.00
Putting on rings	1.00
Wrapping in tin foil	10.00
Packing	2.50
General expense	3.00

53.75

Total	111.05
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Sumatra wrapper Habana-filled perfecto.

Wrapper

\$8.00

Binder

2.50

Filler

18.00

\$28.50

Boxes

2.40

Rings

.90

Tin foil

3.00

Labels

1.00

7.30

Stripping

1.50

Labor

17.00

Putting on wraps

.50

Wrapping in tin foil

10.00

Packing

2.00

Expense

3.00

34.00

Total	69.80
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We have made calculations in both cases, without including the internal-revenue tax of \$3 per thousand. The figures given you are,

in my opinion, absolutely fair, but would call your attention to the fact that both our cigar and the Manila cigar estimated on are with a tin-foil wrapper on each cigar, the cost of which, including the tin foil, is \$13 per thousand. This item is exceptional as very few cigars are sold in our market packed in this style. You can easily see by comparison of figures given you that a reduction of 25 per cent of the present Dingley rate would mean a total annihilation of the cigar-manufacturing industry of this country, necessitating the transfer of this vast industry to the Philippine Islands.

I was brought up in this business by my father, who established himself as a cigar manufacturer in New York City in 1845. As a boy I recollect that in the late fifties immense quantities of cigars made in Germany were imported to this country, when there was no duty on cigars, and were sold here at \$5 per thousand. In order to meet this competition, my father and other manufacturers were compelled to make cigars which they could and did retail at 7 cigars for 6 cents, which was about \$8.50 per thousand. You can readily judge from these figures the low price at which the farmer had to sell his tobacco and the small amount of wages that the workman received for his labor. The introduction of cigars made in the Philippines at the nominal rate of duty now proposed to be placed on same would put our farmers, cigar makers, and manufacturers in a relatively similar position or necessitate the moving of the cigar industry to the Philippine Islands.

As one of the oldest manufacturers of cigars in this country, I do not hesitate to state to you that this reduction of duties on cigars that you propose will create more harm and disaster to the cigar-making industry, which comprises over a million people interested, from the farmer to the retail dealer, than any statute that has ever been enacted during the past forty years.

STATEMENT OF MR. G. W. PERKINS, PRESIDENT OF THE CIGAR MAKERS' INTERNATIONAL UNION.

Against the bill.

Mr. PERKINS. Mr. Chairman and gentlemen, owing to the fact that this is a new Congress, a new bill, and a new committee, I want to say, with apologies to those who have been reappointed on this committee, that I deem it necessary to in a measure repeat the statistics and argument that I presented here last year.

The CHAIRMAN. Is it the same argument that was presented when you were here before and printed in the record?

Mr. PERKINS. With many additions.

The CHAIRMAN. Will you not please give us the additions, because all that is printed is accessible to every member of the committee.

Mr. HILL. Suppose he files his paper and gives us verbally the additions?

The CHAIRMAN. At this special time it seems to me it would be well to give us only the new matter.

Mr. PERKINS. I want, then, to briefly sketch some of the statistics—

The CHAIRMAN. If you can not separate it, go ahead, but we really we desire to say that we represent, in this hearing, and speak only for

Mr. PERKINS. The necessity of repeating it, you will agree with me—

The CHAIRMAN. Proceed.

Mr. PERKINS. We regret that we have to repeat these things just as much as you do.

In behalf of the Cigar Makers' International Union of America we desire to say that we represent, in this hearing, and speak only for the organized workers of our craft.

While we are happily in accord with all the other tobacco interests, we are not working in a cohesive unit in our protest against the reduction of the tariff rates between the mainland and the Philippine Islands on cigars.

We are not manufacturers—simply the hired man, with no ax to grind; the organized workers simply seeking to protect the best interests of our only means of making a livelihood.

A retrospect of the cigar industry, briefly stated, will help our contention and has a direct bearing upon the questions at issue.

The first cigars consumed in this country were imported; they were not, however, separately tabulated until 1804, in which year we imported 4,001,000 cigars.

The first cigars made in this country was in Connecticut, by the wife of a farmer.

The first factory was established at East Windsor, Conn.

The Government census says:

By 1850, 600 persons were employed in making cigars at various points from Springfield, Mass., to Middletown, Conn. In 1860 the Connecticut Valley had 45 factories, with a capital approximating \$400,000; 731 wage-earners, \$274,911 for wages; \$381,000 for cost of material, and \$1,000,000 for value of product.

In the early days Germany supplied the major portion of the cigars consumed in this country; they could be had here for from \$3 to \$8 per 1,000. Cigar makers in this country received from \$2 to \$5 per thousand for making fine handmade cigars. A union cigar maker now receives from \$7 to \$20, generally, and up per thousand.

Prior to the adoption of the protective tariff for our trade this country produced very few cigars. In 1863 we produced, all told, 199,288,284, which includes cigarettes, while in the fiscal year ended June 30, 1904, we produced 7,404,316,770 cigars alone, say nothing of the cigarettes, which amounted to 3,235,103,863.

In 1863 the total output for all kinds in the entire country was only 199,288,770, while we now turn out about 150,000,000 cigars, weighing more than 3 pounds per thousand, in one week.

The increase in the output for cigars since 1863 is about 7,205,000,000 per year, or 3,700 per cent, while the population only increased about 100 per cent.

With the limited time at my disposal I could find no statistics showing the value of the product for the year of 1863, but the Government census report for 1900 gives the value of the total output as \$160,223,152. This, however, shows an increase of \$159,223,152 over the value of the output in the Connecticut Valley in 1860, which at that time was the chief producing center for cigars in the United States.

For the fiscal year ended June 30, 1904, we paid a revenue to the Government on cigars alone of \$20,498,711.84, while every cent of the

tariff now raised on the cigars imported to this country from the Philippine Islands is turned into the treasury of the islands for the purpose of supporting its government.

The number of people employed in the cigar industry at cigar making in 1863, I estimate, was less than 2,000, while Government statistics say that there are now employed in the trade—cigar trade—in this country about 125,000 people, fully 80,000 of whom are skilled workmen.

A bulletin of the Department of Labor shows there are employed, all told, in the cigar industry of the Philippine Islands about 20,000 people, at an average of \$10.21 per month. The rate of wages for cigar makers, as near as I can learn, is 37½ cents per day, while the Government census of 1900 shows that the average wage of the workers in this country was about \$400 per year, or about \$1.36 per day.

The total value of the output for cigars and cigarettes as stated in the foregoing was \$160,223,152; the capital invested was \$67,706,439, in lands, buildings, machinery, tools, implements, cash, and sundries; the salary paid officials, clerks, etc., was \$4,712,786; salary paid to wage-earners was \$40,925,596; miscellaneous expenses, \$31,436,701; cost of materials used, \$57,946,020.

The foregoing compared with the figures of 1860 for the Connecticut Valley—the then home for the cigar industry—we find the following astounding but gratifying results: Increase in the capital invested, \$67,306,439; increase in the amount paid to wage-earners, \$40,650,685; increase in the cost of material used, \$57,565,020.

We do not want to go back to the old conditions, and respectfully assert that you can not afford to do so and serve the best interest of our common country and its worthy citizens, commercially and industrially.

In order to suit the taste of a great many smokers we are compelled to import tobacco which can only be grown in Cuba, upon which our manufacturers have to pay a tariff of \$1.48 per pound for wrappers and 28 cents per pound for fillers.

The Philippine Islands are favorably adapted to the growth of tobacco which with a little care will successfully compete with that grown in any other country, an advantage we do not possess.

A good cigar can be bought in Manila for 1 cent apiece, or from \$5 to \$10 per thousand.

The home-produced cigar sells for 5 cents, 10 cents, and 15 cents apiece, or from \$20 to \$60 per thousand, generally, and from that up for especially fine cigars.

Under the proposed reduction the cheaper grade of cigars could be laid down at San Francisco for \$17.62 per thousand and the higher-grades from \$4 to \$6 above this price.

The Filipinos, like the Japanese, are very apt learners and deft at hand work, and as they prefer factory to the field work in a very short time double the number now employed in the trade could be pressed into the business of cigar making.

Give this oriental cheap labor a market in this country and the results will be ruinous to the great industry we represent.

The cigar industry, I believe, ranks twelfth in commercial and industrial importance in this country of great industries.

We question the economic, political, or moral wisdom of striking a

crushing blow at this important industry through the proposed bill. We respectfully say we can not compete with the islands, and aim to show that our contention is correct.

We can not understand by what right the Congress can justify legislation that would surely result in lowering the standard of living of such a large army of loyal American citizens.

High wages and short hours make better conditions for all concerned. We assert that in countries where wages are high and the hours of labor shortest art, science, education, literature, general conditions, and civilization have reached the highest ebb, and just as confidently assert that in countries where wages are least and hours of labor longest these conditions are just the reverse. We need simply to call attention to China and kindred countries and the conditions prevailing there and here for a verification of this statement.

Let us not lose sight of the simple, comprehensive, economic fact that if the workingman has \$4 per day to spend in nine cases out of ten he will place the full amount so received into legitimate channels of trade and commerce, while on the other hand, if this same mechanic's pay is reduced to \$3 or \$2 per day he can only spend \$2 a day for the purpose of consuming and for the purpose of assisting merchants and manufacturers and in the keeping of the legitimate wheels of trade, commerce, and manufacturing industries in motion.

As an economic truism we assert that the more the masses receive in wages the more they are enabled to consume, and that it is the consuming capacity of the masses that makes countries great and life worth living.

We assert that the organized working classes of this country are better off than they are in any other part of the world, and that the middle classes—merchants, employers, and capitalists—enjoy greater prosperity and greater wealth than in any other part of the globe.

As part proof of this, let me say this country, despite fair wages and reasonable hours enjoyed by the organized workers, has steadily advanced in the value of its exports until in 1903 it has surpassed all others and is now, in the value of its exports, the leading nation of the world.

The value of our exports for 1903 was \$1,457,565,783, an increase of \$960,302,046 since 1875.

The Filipino is indeed the child of nature, who, owing to climate and the bounties of nature, can live without work. Expensive clothing is a burden; no expensive rent is paid. Give self-satisfying food a chance to grow in abundance and he will be self-sustaining. He would then probably be happy if we let him alone.

We, on the other hand, must buy fuel, pay high rents, buy expensive clothing and food, with the cost of sustaining life always equal to our income.

We protest against being pitted against oriental labor in our struggle for existence. We hold that no amount of legislation upon the part of the Congress of the United States can or ever will lift this people up to our standard, and that the act proposed, and against which we respectfully protest, will have a tendency to and will drag us down nearer their level.

In view of the fact that many are out of work and suffering for the bare necessities of life in our trade in this country, and if a scarcity

of cigar makers exist there, we ask why this sentimental effort on the part of some to do something for the poor Filipino?

I understand that all of the cigar factories of Manila (31) are owned by foreign capital except one, and in that exception Filipinos own only one-half of the stock.

The bill proposed to reduce the tariff on the cigars manufactured in the Philippine Islands and to have absolute free trade within four years from now, is solely in the interest of foreign corporations and the American Tobacco Company, which is largely controlled by the Standard Oil interests.

When W. C. Whitney, the ex-Secretary of the Navy, a Standard Oil man, died, he left to his estate between \$6,000,000 and \$7,000,000 worth of stocks in the American Tobacco Company. About one-half of the cigar factories in the Philippine Islands are controlled by the Chinese manufacturers, and with the number of Chinamen (to be ascertained at Washington) now in the island will monopolize the cigar trade as they did prior to the exclusion act in San Francisco.

Prior to the passage of this Chinese exclusion act in 1882 the cigar factories of San Francisco employed only 40 American citizens and over 6,500 Chinamen.

The bill proposed means that the Chinese-exclusion act, so far as it relates to the cigar industry, will be nullified completely by now reducing the tariff and ultimately establishing free trade.

If the Filipinos should ever cease to be subjects and become American citizens in every particular, with the right to organize for their own protection, with factory laws similar to those prevailing in the States of Illinois, New York, Massachusetts, etc., for the protection of women and children against unscrupulous exploitation, then it will be the time to talk about the changing of the tariff.

Of the cigars imported from Porto Rico, which competition is now felt severely and will be felt much stronger during periods of trade depression, the American cigar trust controls over 40 per cent.

The attempt to adopt free trade between the Philippines and the United States is simply an imitation of the policy and teachings of the British Cobden Club, which prevailed in Great Britain for about sixty years and was largely instrumental in creating a permanent pauper class, living in the workhouse, averaging from 800,000 to 1,000,000, and staggering civilization in its hideous aspect.

Outside the workhouse there is another million, only temporarily employed, living partly on charity, for whom collections are now made by the Queen and others.

Owing to lack of time I had no opportunity personally of visiting the Philippine Islands. However, I secured from other sources as much information bearing upon this important subject as I possibly could. Let me quote a letter received from a friend who has been in the islands for about six years, and whom I believe is reasonably familiar with conditions existing there. The letter follows:

MANILA, P. I., October 17, 1905.

Mr. G. W. PERKINS.

DEAR FRIEND: I presume you will be surprised to hear from me after a lapse of three years, therefore I owe you an apology for my continued silence since my return to these islands.

The Congressional visitors to these islands held several public meetings for the purpose of hearing the public's views on the tariff and free trade, also the

shipping laws. There was so much opposition from the foreign steamship companies, and no one to represent the American shipping interests, that it was promised to kill the bill when it comes up again.

The value of exports from these islands for seven months ended January, 1905, was \$20,451,165; carried in American ships or bottoms, \$691,344; British bottoms carried \$16,991,891. These figures will give you an idea who will be getting the rake off if they give these islands free trade with the United States. The imports are all carried in foreign ships. Jim Hill's steamers come here sometimes, but never get a return cargo. Last year, or in 1904, there was imported into these islands rice from Segan and British East Indies, also other parts of Siam, valued at \$11,508.814, and sold to the people of these islands for \$59,275,556. These figures are in coin of the United States. This is a very important matter, as the people here depend on rice and fish for food.

Under the Spanish Government they produced almost enough for their home consumption.

There was not one voice raised at all these public meetings to offer any suggestion to the people to try and produce rice enough to feed themselves. Of course you want to know the cause of all this falling off in the production of rice, as it is like the wheat crop in the United States. This is a rice-raising country, also a rice-eating country.

The reasons of this are that previous to the year 1898 there was an insurrection on these islands, and since that time there has been more or less disturbance in the country. Also, as a war measure, all the stock was shot and rice burned; in fact, everything was destroyed that would be of any service to the enemy. That left the people in very destitute circumstances.

The carabao, or water buffalo, is the only animal that can be used to plant rice on account of the soft condition of the ground, so that the people are without animals or seed to plant, and no money to purchase either.

The sugar is the first question, and the only speakers were exporters and merchants on the sugar question. Delarama talked. He is the largest exporter and importer in Iloilo. That is the next largest shipping point to Manila. The speaker was Mr. Welborn. He is an employee of the civil government, or superintendent of the bureau of agriculture.

I send you by registered mail two packages papers containing all the addresses on sugar and tobacco. You can see through them better than from this letter. I also send you two letters, or copies thereof, of the only American concerns that have invested large capital here, containing their views on the labor question; also some clippings from other papers.

The next question was the tobacco. Several speakers spoke on the production and why they should have free trade. They were all foreigners and not one producer. You will note they have failed or would not answer the questions put to them about the cost to produce per pound. I have marked the papers with red lead pencil.

Manila alone has 31 cigar and cigarette factories; also about 48 others run by Chinese, which, if they get free trade, will also become exporters, and, in the event of free trade, the second year they can export to the United States enormous quantities of cigars.

The wages paid on a tobacco plantation is 18 cents Conant, or 9 cents United States coin, and their food. All the large tobacco interests are held by foreign companies.

The letters referred to in the foregoing are as follows:

[From the Daily Bulletin—Atlantic, Gulf and Pacific Company on Filipino labor.]

The American Government from the first recognized the necessity of a good harbor at this port. The charges for lightering vessels amounted to 25 per cent of the freight from New York and the losses sustained from breakage and damage constantly occurring in rough weather constituted very serious obstacles to the commercial growth of Manila.

The original contract for this work was let to the Atlantic, Gulf and Pacific Company on August 12, 1901, and it amounted to more than two and a quarter million gold dollars.

The first few months of work by the Atlantic, Gulf and Pacific Company serve to show up some engineering companies which formerly operated in these islands.

The labor question in particular was the chief problem, and the company spent some time and money in experimenting with different classes of labor obtainable in the archipelago.

The native was the last to be given a trial, and the engineers and officers of the Atlantic, Gulf and Pacific Company in charge unite in saying that Filipino labor, for both efficiency and economy, is not only the best to be had, but entirely satisfactory.

Good treatment and fair wages have made the native employees loyal and enthusiastic.

The company early conceived the plan of housing its employees, and at isolated places where quarries were located of establishing places of amusement and houses of worship, so that the workman should not be deprived of anything to which he had been accustomed in the past.

This consideration for old traditions had not a little to do with the faithfulness and cooperation of the Filipinos employed on the harbor improvements.

Other difficulties peculiar to the country, the long distance from the world's markets and the length of time it takes to secure supplies and machinery necessary to carrying out of a contract, were successfully overcome, and the loss of time ordinarily occurring in enterprises of this nature has been reduced to a minimum.

Yours, respectfully,

ATLANTIC, GULF AND PACIFIC ENGINEERING & CONTRACTING CO.

MANILA, P. I., July 1, 1905.

The other circular letter follows:

CAPITAL NEED HAVE NO FEAR OF SEEKING INVESTMENT IN THE PHILIPPINES—
FILIPINO LABOR PLENTIFUL—CHINESE COOLIES NOT WANTED.

The following letter by the Hon. Richard T. Laffin is self-explanatory. The general manager of the Manila Electric Railway and Light Company says: "In the organization and handling of Filipino labor the contractors have met with distinguished success, and demonstrated beyond controversy that the natives of these islands are just as good laborers as any other Oriental, and far and away ahead of most of them. Competent and faithful native labor has at all times been plentiful and, with the exception of superintendents and a few leading foremen, nothing but Filipino labor has been employed. These workmen have been handled with such tact and unerring fairness that they proved faithful to their duties without regard for holidays, fiestas of their church, and other amusements which so easily lead the average Filipino away from his daily labors. Messrs. F. G. White & Co. have demonstrated to the world that capital need have no fear of seeking investment in the Philippines."

Let me quote from one of the clippings referred to in the foregoing and which was taken from a Manila paper, as follows:

Ninety per cent of the cigar and cigarette factories are owned by aliens, the profits going to Europe and China to enrich the owner and stockholders, who thus fatten in foreign climes upon the money gained in the islands. The factories owned by the Filipinos are few, but their owners and shareholders are residents here and spend their gain in the islands.

While I had no opportunity to investigate labor conditions in the Philippine Islands, I have, however, visited Cuba, a kindred country in so far as the making of cigars is concerned, where I spent all of my time studying the conditions of the actual producers, the working men and women. It may not seem amiss to say that owing to the atmospheric and climatic conditions these countries enjoy a marked advantage in the making of cigars. For instance, tobacco has to be of a certain moisture and kept in that condition to be easily, economically, and profitably worked, and the climate in these countries is much better adapted to these conditions than it is here in our own country. In fact, I hold that both countries are ideal places for the manufacture of cigars, and am fully persuaded that if the people of the Philippine Islands are given free access to the markets of this

country on such products as provided for in the bill under advisement the cigar industries would make wonderful strides in that country and to the consequent detriment to the American citizen of our own country engaged in this industry.

If existing conditions make it incumbent upon the United States to do something for the Filipinos, we assert that there are better ways of doing this than by enacting legislation such as proposed, which will have a tendency to and we firmly believe will seriously injure one of the most important industries now flourishing in our own country. May we suggest that this can be accomplished by placing at the disposal of the farmers and farm laborers seed and implements, thus enabling them to restore conditions, in so far as crops and raising the means of sustenance are concerned, that existed prior to the Spanish-American war and subsequently.

A policy such as this, we hold, will result in meeting our full obligations to the Filipinos and without doing any injury to the cigar or other industries of this country.

At the hearing before the Committee on Ways and Means, January 27, Secretary Taft, in the testimony submitted in speaking of the fears of the cigar makers when a similar bill was under consideration, as to the effect of the proposed legislation, said:

There may be some justification for the apprehension of the cigar makers that this measure would injure them. I admit that a Perfecto-shaped cigar, for which the cigar makers in this country receive \$34 per thousand for making, is made in the Philippine Islands for \$6 per thousand.

According to Secretary Taft, this shows a difference of \$28 per thousand in the price of making them. He also said the same cigar was sold for \$100 per thousand here while a like cigar from the Philippine Islands can be laid down here at a price of \$45 per thousand.

In view of all the facts, we can not help at least believing that the so-called favorable legislation for the islands—but which we have shown will so seriously affect, if not ruin our trade—is sought by those who do not fully realize the situation, or, if they do, would exploit the islanders, further degrade and enslave them, and unfortunately, too, at the frightful expense of home labor and one of our greatest industries.

For the reason advanced we hold that no moral, economic, industrial, or well-grounded commercial reasons exist upon which to justify any reduction of the import duty on cigars from the Philippine Islands, with its oriental customs, habits, and low wages.

We have presented the plain facts. We look to you for fair treatment and confidently rely upon your sense of honor and justice to give it.

An act that will tend to build up the cigar industry of the Philippine Islands at the expense of a like industry and the citizens employed therein in our own country proper is neither wise nor just legislation. Knowing that we are positively right in this matter, we, in self-defense, vigorously yet respectfully protest against its enactment.

Respectfully submitted in behalf of the 47,000 organized cigar makers in particular and the entire craft in general.

Mr. WILLIAM ALDEN SMITH. I notice you distinguish between the

people you represent; you say that you present your views in behalf of some 40,000 organized cigar makers in particular and the entire craft in general.

Mr. PERKINS. I have no authority to speak for the unorganized cigar makers.

Mr. WILLIAM ALDEN SMITH. What you call the nonunion men?

Mr. PERKINS. Yes. They are not members of our organization.

Mr. HILL. Your opinion as to the extent of the cigar industry in the Philippine Islands, I judge from your paper, is based largely upon the letters and information which you have received and which you have filed with your paper, is it not?

Mr. PERKINS. Yes, sir; and studying conditions in a kindred country.

Mr. HILL. Now, I want to put a hypothetical question to you and ask you what your opinion would be under these conditions: I quote from the census of the Philippine Islands, taken in 1902, that the entire capital invested in the manufacture of tobacco—and that includes not only cigars, but cigarettes as well, and all forms of tobacco—was \$2,250,201; that the number of employees engaged in the manufacture of cigarettes and cigars and everything, including men, women, and children, was 10,150; that the entire materials used in these manufactories amounted to \$2,169,841; that the total product of all kinds of cigars, cigarettes, tobacco, etc., was \$4,370,258; that in 1902, the year in which this census was taken and for which these figures are given, the export of cigars consisted of a total valuation of \$1,666,722 (that is to all the world), and that last year, three years afterwards, the total export of cigars amounted to \$971,179, or nearly 50 per cent less; that of that total export in 1902 only \$8,539 came to the United States, and in 1905, last year, only \$6,790.

Now, with those figures, which are official, the records of the Philippine Islands census and the United States custom-house, would you change your opinion as to the danger of that competition?

Mr. PERKINS. No; for this reason—

Mr. HILL. That is all, then.

Mr. PERKINS. You say that the total value of the products there were \$4,000,000?

Mr. HILL. Of every kind and type of manufactured tobacco; yes.

Mr. PERKINS. Prior to the adoption of the protective tariff in this country the entire value of the products of tobacco in this country was only \$1,000,000. That is now \$3,000,000 more than it was here. Give them a market here, then, and we are firmly of the opinion that the industry there will make the same strides that it did in this country.

Mr. HILL. Do you experience any great difficulty from the competition from Porto Rico now?

Mr. PERKINS. Originally the Porto Ricans made the mistake of thinking that people in this country would smoke a poor cigar—I was going to say ropes—and the result was that they did not do much business; but to-day they have learned the lesson and their sales are gradually increasing. To-day there is, and we do feel it, a strong competition from the cigars coming from Porto Rico.

Mr. HILL. Have you any information as to the number of cigars coming from Porto Rico?

Mr. PERKINS. Those figures are here and can be gotten, but I do not remember the figures.

Mr. HILL. I notice that the previous gentleman who spoke said that he did not fear competition with Porto Rico at all.

Mr. PERKINS. He will, and I will venture the assertion that he will ultimately feel it, and feel it sorely.

Mr. HILL. That is the same information I had.

Mr. PERKINS. They are making better cigars in Porto Rico every day, and the amount imported and consumed in this country is gradually increasing. I can prove that by statistics which I will file later.

Mr. HILL. Are you aware of the fact that we are selling from half a million to three-quarters of a million wrappers to Porto Rico now and prior to American occupation we did not sell any?

Mr. PERKINS. I do know that and I am glad of it.

Mr. HILL. So am I.

Mr. PERKINS. From the farmers' standpoint. It does not help the cigar makers in this country.

Mr. HILL. That is why I asked; I wanted to know whether you felt the competition.

Mr. PERKINS. If they can export the tobacco to the Porto Ricans, they can do the same thing with the Filipino, and they have Chinamen over there who are past masters at cigar making.

Mr. HILL. Do you know of your own knowledge of a Chinaman who works in a cigar factory in the Philippine Islands?

Mr. PERKINS. Not personally.

Mr. HILL. Have you any information that leads you to say you know of a Chinaman over there working in a cigar factory?

Mr. PERKINS. Yes; my information is there are 48 factories now owned and controlled by the Chinese in the Philippine Islands.

Mr. HILL. I will simply state that I visited four of the largest factories over there, spending two days at it, and I did not see a Chinaman in one of them. I did not see anybody but Filipinos.

Mr. PERKINS. And I have known of inspectors who have visited shops here in the United States to try to detect whether there was any employment of children and who have not found any children, and at the same time there were children who were employed in those factories.

I venture to assert that if it were not for the exclusion act that the Chinese would control our industry here.

The CHAIRMAN. That act applies to the Philippine Islands, too.

Mr. HILL. Most of the Chinese in the Philippines are exceedingly shrewd and sharp traders. There are only 44,000 of them all told.

Mr. PERKINS. That is half as many as there are cigar makers in this country.

Mr. HILL. But they are not cigar makers in the Philippines.

Mr. PERKINS. Give them a market here, though, and they will get into the cigar trade.

The CHAIRMAN. You quoted from what Secretary Taft said here, and I think it is but fair that the whole quotation should go in. He said, on page 273 of the hearings of last winter:

Second. The duty on cigars at 25 per cent of the Dingley rate is \$1.1250 a pound and 6½ ad valorem. The "perfecto" cigar made in this country of Sumarta wrapper and Cuban filler by Cuban hand work sells at \$120 a thou-

sand, and of this \$34 is labor. The same cigar made in this country of Sumatra wrapper and Cuban filler by American hand work is worth \$70 a thousand, and the labor is \$17 a thousand. The Philippine "perfecto" laid down in New York is worth about \$46, and the labor is \$6. The Philippine cigar, of course, can not compete with the Cuban cigar and is not in the same class any more than American-made Cuban cigars are in the same class as Cuban-made Cuban cigars. But what is very evident is that by reason of a duty of \$1.12½ a pound on the Philippine cigars and 6½ ad valorem it would be possible for American cigar makers to make cigars out of Philippine tobacco at \$17 a thousand of 17 pounds and undersell cigars of the same material made in Manila, and this is true of all the kinds of cigars, "perfectos," "high life," "panatela," or "londres" likely to be imported from the Philippines into this country.

Mr. PERKINS. I want to say that I quoted Secretary Taft's exact words. He may have edited it later.

The CHAIRMAN. You took what he said out of the middle of a paragraph, that is true. I put in the whole paragraph.

Mr. PERKINS. I am sure the gentlemen who were here then will remember Secretary Taft making that statement.

STATEMENT OF MR. ABRAM BIJUR, OF NEW YORK CITY, PRESIDENT OF THE NATIONAL CIGAR LEAF TOBACCO ASSOCIATION.

(Against the bill.)

Mr. BIJUR. Mr. Chairman and gentlemen of the committee, as the president of the National Cigar Leaf Tobacco Association, I have tried to bring before the committee at to-day's hearing all the various interests of our trade who are opposed to the proposed reduction on Philippine cigars and tobacco to 25 per cent of the Dingley rate, with ultimate free trade. I regret that the very short notice given us of to-day's hearing has made it possible to bring representatives from only near-by points, as the opposing interests in Ohio, Wisconsin, Minnesota, and various other States found it impossible to send representatives here, and we have received complaints from all the cigar-manufacturing interests at the short notice given them to be present, telling us what we already knew and had pointed out to the committee, that at this time, the busy season of the year, it was impossible for the average cigar manufacturer to leave his business for any purpose whatsoever. I had the honor of being heard by the committee at last year's hearing, and if they will afford me a little time I promise not to bring up the points discussed at that hearing except in so far as the testimony that they have heard from interests favoring Philippine reductions invites answers to the points they have made. All of the statements that have been made by the experts produced by our side of the case have been made with the greatest conservatism, as it has been explained to each and every one of them that their statement would be subjected to searching review and that we could afford to tolerate no exaggeration. I want to afford you some proof that the same moderation has not been exercised by the gentlemen presenting the opposite side of the question, and all the incidents that I cite are taken from the printed records of the testimony presented to you, either as a committee or told to that extraordinary committee that went to the Philippines with Secretary Taft and gave additional hearings to the interests favoring a reduction on Philippine tobacco and cigars.

Firstly, we beg to submit that the tables furnished in Colonel Edwards's first statement to your committee are not fair bases of comparison between the values of our domestic tobacco and those of the Philippine Islands, because in the case of our tobaccos he has taken tables showing farm values, and in the case of Philippine tobacco he has taken tables showing the value of tobacco ready for market, which has, by the processes it has gone through, greatly enhanced in value.

Average farm price per pound of domestic cigar leaf, according to the December, 1904, Crop Reporter, United States Department of Agriculture.

	Cents.
New England	21.6
New York	10.0
Pennsylvania	8.9
Ohio-Miami Valley	7.5
Wisconsin	7.8
Georgia and Florida	28.8

Market quotations for Philippine leaf tobacco per quintal (101.44 pounds), from the Daily Bulletin, Manila, December 12, 1904.

Isabela, 1901, first to fifth class	\$15.00 to \$42.00
Cagayan, 1901, first to fifth class	11.00 to 38.00
Isabela, 1902, first to fifth class	16.00 to 36.00
Cagayan, 1902, first to fifth class	10.00 to 32.00
Brili:	
First class (few stocks offered)	13.50
Second class	11.00
Third class	9.50

Export price of Philippine tobacco per pound (gold), according to cable advice from the civil governor, dated Manila, January 20, 1905.

	Cents.
Wrapper tobacco	30.0
Filler tobacco	10.0
Smoking tobacco	7.5

The values of United States cigar tobacco ready for market should be:

New England	\$0.35
New York	.18
Pennsylvania	.21
Ohio	.21
Wisconsin	.21
Georgia	.21
Florida	.80

These figures are for actual weight ready for market, as in the case of Philippine figures given. The low export grades, valued at from 5 to 7 cents, which are rubbish and broken leaf, are not considered in estimating this value. Colonel Edwards's table is, of course, the cause of Secretary Taft's claim that Ohio and Pennsylvania filler bring less than the 18 cents a pound which he estimates Philippine fillers would cost laid down here. (Page 9, No. 2.)

In Colonel Edwards's testimony also he has introduced a table showing the prices at which certain Philippine cigars are sold in Manila. (Page 18, No. 3.)

In this table the perfecto cigar appears as selling at \$25, but in response to a cable sent to Manila asking the cost of manufacturing a perfecto cigar he received a reply stating that the factory cost

totaled \$27.75, and the cable further specified the items of expense with all the appearance of good faith. Of course it must be realized that no manufacturer could dream of putting on his price list at \$25 a cigar that cost him \$27.75 to build.

In the testimony given by Mr. Kraft in Manila (pp. 85 and 88, No. 1) I find the following statement: "We have tried to use Sumatra wrappers, but have not made a success of it." Also, "The Sumatra leaf is not used here, as I have already stated. The operators can not handle it."

In a cablegram received by Colonel Edwards and submitted by him to the committee (p. 22, No. 3) we find the following contradictory showing:

One large cigar manufacturer here threatening to move to Hongkong, where they can get Sumatra wrappers free of duty and cheaper labor.

Page 21, No. 3, in Colonel Edwards's testimony also, we find that he has read the following cablegram:

Roosevelt, Washington: Filipino tobacco manufacturers protest against false claim of operatives San Francisco alleging that we employ Chinese operatives manufacture cigars. * * *

In the Bulletin of the Bureau of Labor, issued in May, 1905, we find the following statement (p. 825):

There are some 200 small Chinese factories in Manila, which turn out very "cheap and nasty goods" according to the statement of the regular manufacturer.

To indicate to you that our expectation that the Philippines can raise a good wrapper tobacco is not unfounded, I beg to call your attention to the statement of Mr. Kraft (p. 86, No. 1) when showing a sample of poor wrappers to some members of this committee in Manila:

This kind of wrapper would never have been produced under Spanish times. It would not have been permitted. It is due to the carelessness of the planter—to carelessness in the field.

Also to similar testimony from the governor of Cagayan, who deplorers the deterioration of the quality of Philippine tobacco and says: "All this is due to the carelessness of the grower." (P. 41, No. 2.)

Professor Lyon testified that the present methods of Philippine tobacco production are very crude—much inferior to those of the United States. He also testified that experiments had been made in growing Sumatra and said: "Such as we have produced has that elasticity and smoothness which are desired by the man who undertakes to grow such tobacco" (p. 98, No. 1). We believe these experiments that Professor Lyon alludes to refer to shade-grown Sumatra.

Mr. CURTIS. Right in that connection, I would like to ask you if you do not know from Colonel Edwards's report that he said he gave the prices in reference to Ohio and New England tobacco as quoted in the crop report, and he says in his report that the average farm price—

Mr. BIJUR (interrupting). I am not attempting to accuse him of wrong statement. The only point is because Secretary Taft—

Mr. CURTIS. Your statement was that you wanted to criticise a statement that was not correct.

Mr. BIJUR. My statement was with reference to Secretary Taft's statement.

Mr. CURTIS. How could he be misled if the report showed that he gave the farm prices?

Mr. BIJUR. Secretary Taft made a statement that Philippine tobacco laid down here, plus the duty, would sell at 18 cents, which is more than our domestic filler sells at, and Secretary Taft was undoubtedly misled by either reading carelessly that statement or not noticing it—

Mr. HILL. You mean at 18 cents it would come into competition—

Mr. CURTIS. I mean it would be cheaper than Pennsylvania or Ohio filler actually is.

Mr. HILL. In other words, you claim that Pennsylvania and Ohio filler from the farm would sell at more than 18 cents?

Mr. BIJUR. No, no; I claim ready for the market.

Mr. HILL. I mean ready for the market.

Mr. BIJUR. The general run of the crop; no, sir; no, sir.

Mr. HILL. As it goes to the consumer—

Mr. BIJUR. No, sir.

The CHAIRMAN. What is the farm price of the fillers and wrappers—they are not separated?

Mr. BIJUR. No; they are not, except for the export grades. Export grades are generally contracted for at a separate price.

The CHAIRMAN. Farmers in my district sell their wrappers and fillers and everything else without any sorting for 10 or 12 cents a pound.

Mr. BIJUR. I think they got as high as 13 this year.

The CHAIRMAN. Sometimes they get 13, but they are satisfied to get 12. They get all they can.

Mr. BIJUR. Let me explain to you in what condition that tobacco is. That tobacco has to be sorted—

The CHAIRMAN. Certainly.

Mr. BIJUR. Has to be packed and has to be kept until it is cured. Then it is in the condition that Manila tobacco is in at the prices quoted here, and that is the price to compare with the Philippine price.

The CHAIRMAN. I do not know that it ever gets in the condition of any tobacco I have seen.

Mr. BIJUR. If you want to compare Manila tobacco at farm prices, there is plenty of testimony showing that farm prices are from $2\frac{1}{2}$ up to 9 or 10 cents. So the same basis of comparison would hold there.

The CHAIRMAN. You can proceed and complete your statement.

Mr. BIJUR. I want to bring out again this statement of Professor Lyon in regard to the experiment made in the Philippines in growing Sumatra tobacco, and I quote from him:

Such as we have produced have that elasticity and smoothness which is desired by the man who undertakes to grow such tobacco.

All the testimony you have received agrees in saying that no fertilizer is used in growing Philippine tobacco. We claim that a mere change will, from the experience of tobacco growers in all other countries, produce a much higher class of article in the Philippines.

As to lack of area on which to plant additional tobacco, Professor Lyon's statement indicates (p. 96, No. 1) that tobacco may be grown in Mindanao, an island nearly as big as Ohio, which is at present totally undeveloped, an almost unknown country.

His further testimony with reference to the peculiarities of Philippine tobacco is very interesting. He says (p. 104, No. 1) that Philippine cigars "come nearer to certain brands of Key West or Cuban cigars than they do anything else." Also (p. 100), "the first time I tasted a Philippine cigar I thought it was simply vile, and now I prefer it to anything else." He further says with reference to the quantity of Philippine tobacco going to Spain that he thinks "it is largely due to the fact that Spaniards who lived here many years have acquired a liking for Philippine tobacco, and have introduced that taste there."

Now, gentlemen, these statements of Secretary Taft's own witnesses certainly support our claims that tobacco is a peculiar product in that the smoker may become accustomed to any kind of taste in tobacco and prefer it to all other. It also bears out our claims that a good wrapper tobacco has been and can be grown in the islands, all that is required being intelligent supervision and a desire to this end.

With regard to any claims that the Philippine tobacco industry has declined since the American occupation of the island, we beg to refer you to the tables prepared by the Census Bureau, showing Philippine exports for a number of years back. These will prove that the Philippine tobacco industry is at least in as good condition as it was during the ten years preceding American occupation. Mr. Detterman has testified before you (p. 49, No. 2) that the wages of cigar workers have increased 20 per cent. Mr. Rosales testified in Manila (p. 112, No. 1) that tobacco is now worth 20 per cent more than before the war. This would not indicate that the Philippine tobacco industry is in such terrible straits as has been represented. Again referring to the bulletin of the Bureau of Labor we find that the price of day labor in the tobacco provinces has gone up from 15 cents American to 17 cents American per day. With reference to the small size of the tobacco industry as claimed by the Filipinos, we find in this same bulletin the statement that one tobacco factory "in Manila normally employs 4,000 hands, and that this is but one of many large establishments." Further, with reference to scarcity of suitable labor for raising tobacco, this same bulletin says: "Tobacco raising is an industry that would appear to afford a field for the employment of Japanese labor in the Philippines." It goes on to point out how Cuba solves the question of labor scarcity in the tobacco fields by importing each year, especially for the tobacco harvest, a large number of Canary Islanders; and declares with much reason that the Filipinos could use the Japanese the same way. This would effectively dispose of the question of scarcity of labor, of which so much has been made by those favoring Philippine reduction.

I beg to call the attention of the committee to two points on which Secretary Taft is on record as agreeing to recommendations which we have had the honor to make to your committee, but which you have not seen fit to incorporate in your bill. Secretary Taft says in his statement of January 28 that he has no objection to your placing a duty on tobacco going into the Philippines of the same amount as that which is put by the Dingley bill on tobacco coming into the United States, a duty of \$1.85 on wrapper and 35 cents on fillers. This, as the committee will perhaps remember, was recommended by us in the interest of the prevention of probable frauds on the customs. Secretary Taft also says in his statement of the same date with reference

to our suggestion that a duty on coffee would be a very good way of increasing the prosperity of the Philippine Islands, that we are anxious—

that we shall give free trade to the Philippines on coffee and rubber and all the other agricultural products of the Tropics, and then impose a duty on those products against other countries, of which there are now \$200,000,000 brought into this country. I fully approve of that doctrine. I hope it will come about. I think that it will be a sensible conclusion "to draw the pants and the vest together" by means of a tax imposed on such products, a small tax which will not materially increase the cost of tropical products and yet, notably in the case of coffee, will pay quite a revenue into the Treasury of the United States and will at the same time enable coffee growers in the Philippines and in Porto Rico to regard themselves as enjoying an advantage by reason of the fact that they are connected with America.

Now, with reference to that part of the proposed bill which is new—namely, the section providing the reciprocal admission of American tobacco to the Philippines at rates no higher than those we are to charge on Philippine tobacco coming here—we beg to point out to this committee that as the law stands to-day this is no concession whatever and is not of the slightest value to the domestic tobacco trade. Our wrapper tobacco is sufficiently safeguarded against paying a duty higher than 46½ cents per pound, which is the purport of your measure, by the fact that the duty on any tobacco, wrapper or filler, going into the Philippines from any country is only 23 cents a pound. Furthermore, should the committee accept our recommendation to put \$1.85 duty on wrapper tobacco going into the Philippines and then retain the amendment under discussion in its reduction measure the differential in favor of Connecticut wrappers going into the Philippines would only be \$1.39, or 11 cents less than the differential against Sumatra tobacco coming into this country under the Wilson bill, which the growers claimed and Congress recognized as not sufficient protection for our home-grown wrappers. You will recognize that to speak of a possible market for Connecticut wrappers in the Philippines to-day when paying the same rate of duty as Sumatra wrappers is a clearly unfounded hope.

As to a market in the Philippines for our tobacco under any condition, I want to make one thing clear to this committee. With the exception of the tobacco that is packed by the American Cigar Company, the members of the association I represent buy 95 per cent of the cigar leaf tobacco of this country from the growers, sort it, pack it, and hold it until it becomes ready for market. Any possibility of extending our market for tobacco will, therefore, clearly appeal first to us who hold and must dispose of the stock of domestic tobacco, and the extension of a market for our tobacco can appeal only very indirectly to the grower. If we believed our market would be extended by this bill we should certainly not unanimously oppose its passage. What we see as to a market in the Philippines is that even if we introduce and sell our tobacco there that every box of which we have so disposed will return here in the shape of cigars, to the detriment and injury of our home manufacturer, to whom we formerly sold the same goods, and to that of his workmen. We can see no benefit to any American industry in merely exchanging an old and tried customer for a new and doubtful one.

I wish also to protest in the name of every tobacco packer against the wanton menace to our trade contained in the provision of this

bill that in 1909 there shall be free trade between us and the Philippines. This threat will deter the packers from operating in the filler-growing States—Pennsylvania, Ohio, and southern Wisconsin. If I am right in my belief that this provision has been introduced after the precedent of the bill for the relief of Porto Rico, I want to say to the committee that we have here an entirely different case. I believe I am correct in stating that neither my association nor the manufacturers who are cooperating with us ever raised a hand to prevent the legislation which lowered and then removed the duties on Porto Rican cigars and tobacco, because after discussion among ourselves we came to the conclusion that we could stand easily any encroachment on our trade that Porto Rico might effect, and because it was clearly announced that Porto Rico was to be a permanent possession of our country and, therefore, entitled to the same consideration at our hands as any other part of our country.

Gentlemen, we must ask you to recognize that we are not agitators looking about for grievances to air, but that when we appear before you to explain our anticipation of damage and disaster from the measure that you are now considering we come as sober business men who have investigated this subject from every standpoint.

The CHAIRMAN. If the committee should come to the conclusion that Porto Rico is likely to be separated from the United States as soon as the Philippine Islands, then you would acknowledge we ought to legislate in the same way for the Philippines, would you not?

Mr. BIJUR. If the President and Secretary Taft will withdraw their statements—

The CHAIRMAN. I am talking about the committee now. If the committee should come to the conclusion that Porto Rico is likely to be separated from the United States as soon as the Philippine Islands are separated from the United States, then you would acknowledge that this legislation would be justified?

Mr. BIJUR. If Congress will make the plain statement that we intend to retain the Philippines as a permanent possession, I guess we would have to put up with it.

The CHAIRMAN. Of course that is a matter for the consideration of a future generation of the American Congress. In my judgment, Porto Rico is likely to be separated from the United States quite as soon as the Philippine Islands. That is my deliberate judgment on that, and I am guided in my duties as a legislator by that consideration. Now, I understood also from your argument that it would sweeten this bill a little if American tobacco would be admitted in the Philippine Islands free of duty.

Mr. BIJUR. I do not think you understood that, or perhaps I do not understand you.

The CHAIRMAN. I would like to ask you if you think that would improve the condition of the American grower, to allow the American tobacco to go in there free of duty while the other tobacco would pay a duty of 25 per cent?

Mr. BIJUR. No; and if you will allow me, I will try to point out why.

The CHAIRMAN. Certainly; make a full answer.

Mr. BIJUR. American wrapper tobacco brings its present price owing to our duty of \$1.85 on Sumatra. Now, if it goes into the Phil-

ippines free of duty, the duty on Sumatra is only 23 cents going into the Philippines, so that three-fourths of the protection that you have deemed necessary to place against Sumatra tobacco is wiped out.

The CHAIRMAN. If you were a manufacturer of tobacco in the Philippine Islands and sat down and figured up the cost of American tobacco brought in there free of duty and the cost of Sumatra tobacco brought in under the duty they are obliged to pay and came deliberately to the conclusion as a manufacturer that it would pay you better to buy American wrappers than Sumatra leaf, then you, of course, would naturally think it would be a benefit to the American grower?

Mr. BIJUR. I could not come to such a conclusion because I know too much about the business.

The CHAIRMAN. There are other men who have come to that conclusion who are on the ground manufacturing tobacco.

Mr. BIJUR. Will you ask any of the manufacturers here if that is a possibility?

The CHAIRMAN. Ask the manufacturers there—the men who are manufacturing tobacco there. They have been importing as an experiment Connecticut wrappers and have been using them.

Mr. BIJUR. At what prices?

The CHAIRMAN. Mr. Hill can give it to you.

Mr. HILL. Fifty and 55 cents a pound, paying the duty of 23 cents and the expenses.

Mr. BIJUR. For the Connecticut?

Mr. HILL. Yes.

Mr. BIJUR. And at what price was this dearer than the Sumatra?

Mr. HILL. \$1.50 duty paid on Sumatra.

Mr. BIJUR. But you have heard testimony that Sumatra is about 33 or 35 in Amsterdam.

The CHAIRMAN. But they are on the ground and they are buying it.

Mr. HILL. Yet they say they were German manufacturers who were doing that.

You said if you were satisfied it would open the market for an American tobacco your people would be divided on the subject?

Mr. BIJUR. No; I did not, although I might have implied that.

Mr. HILL. As a matter of fact, I would like to know whether we have not acquired a market in Porto Rico for quite a considerable quantity of American tobacco?

Mr. BIJUR. In a way, yes. At the same time the fact remains true that every Porto Rican cigar that comes here takes the place of an American cigar that would have been manufactured and sold in its place.

Mr. HILL. The gentleman before you said he did not fear Porto Rico in competition. As a matter of fact, there is no such alarming difference between the product of the Philippines and the product of the Porto Ricans, is there?

Mr. BIJUR. The Philippine tobacco is a much better tobacco.

Mr. HILL. I mean in quantity.

Mr. BIJUR. Oh, yes. Why, the Philippine Islands raise as much tobacco as Cuba itself.

The CHAIRMAN. Is it true or not, as we have been informed by some gentleman representing the tobacco interests in years past, that the Porto Rican tobacco is so good that large quantites of it are sent

to Cuba and manufactured into cigars and then sent out as Cuban tobacco? Is that true or not?

Mr. BIJUR. Partly; it was not sent to Cuba because it was so good; it was sent there because it was so cheap.

The CHAIRMAN. I do not know whether you have noticed in the bill or not, but, as a matter of fact, this free trade applies only to articles that are wholly produced in the Philippine Islands. So under that Sumatra wrappers would not be free.

Mr. BIJUR. That will operate in one of two ways. Either it will keep out all decent-looking Philippine cigars, so they will not get any benefit from your bill at all—because any importer desiring to keep such stuff out of the country could reasonably and logically say he believed it was a Sumatra wrapper, and swear to it, as well as he could swear to anything else—or if it did not keep them out the Philippine manufacturer could put on all the Sumatra wrappers he wanted and no one here could prove they were Sumatra wrappers.

The CHAIRMAN. I do not believe it would be difficult to trace the Sumatra wrapper. They all pay 23 cents a pound when they come in and they go to the different factories, and I do not believe there would be any difficulty in tracing them. If we have not officers in the customs service who could keep track of them, then they would not be officers who were worth much.

Mr. HILL. And the Internal-Revenue Service would be able to help in tracing those all the way through.

ADDITIONAL REMARKS BY MR. WALTER A. SCHIFFER.

(See also p. 151.)

Mr. HILL. I simply want to ask whether in your enormous work of 400,000,000 cigars a year you ever imported and manufactured any Philippine tobacco?

Mr. SCHIFFER. No, sir.

Mr. HILL. Why not?

Mr. SCHIFFER. It has never been presented to us in a state that we could judge as to what the Manila tobacco was.

Mr. HILL. You were looking for Habana and Sumatra tobacco?

Mr. SCHIFFER. Yes.

Mr. HILL. Why don't you look for Philippine tobacco?

Mr. SCHIFFER. We should look if the industry was developed there. We certainly should look for it in that case.

I would like to ask an explanation from you also, Mr. Hill, and that is this: Why is it that the German manufacturers in Manila, having the opportunity to buy Sumatra tobacco, which comes into Manila with a duty of 22 cents a pound, and who also have the privilege of buying Connecticut tobacco, should prefer the Connecticut tobacco, when these same German manufacturers, who have been established for hundred of years, go to Amsterdam and buy Sumatra tobacco, and have never bought a pound of Connecticut wrapper for wrapper purposes in Europe?

Mr. HILL. I will answer that question by asking you another. What would you think of that same German manufacturer if he made a written protest against this legislation?

Mr. SCHIFFER. You can never answer a question by asking another one. I have given you a reply to your question and I wish you would give me a reply to mine.

Mr. HILL. Will you repeat your question?

MR. SCHIFFER. The German manufacturer who is in Manila, and also has a branch house in Hamburg, and is interested in cigar manufacturing, not only in Germany but Manila and all over the world, buys Connecticut tobacco in Manila, and why should he do that and not buy it in Hamburg, where he represents large interests?

MR. HILL. I don't know of any such case in Manila. I do not know of any large manufacturer that is interested in Hamburg.

MR. SCHIFFER. Mr. Krafft.

MR. HILL. I don't know that he has any interest in Hamburg in the way of manufacturing cigars. I know Mr. Krafft feels bitterly the fact of his loss of trade by German competition in the Orient in the past three years, and feels that it is unjust on the part of the United States not to let him buy light-colored wrappers in the United States to wrap his tobacco.

Have you made any experiments, in your enormous manufacturing processes, of Philippine tobacco?

MR. SCHIFFER. No; we have not.

MR. BIJUR. May I offer a suggestion? That the difficulty of Manila manufacturers in getting light wrappers can be obviated by extending the bonding privilege to the same manufacturers, letting them manufacture in bond, if you have not already done so.

THE CHAIRMAN. Why not give them the privilege of buying here?

MR. BIJUR. Then they could buy here.

MR. SCHIFFER. There is one point I should like to state, and that is the number of pounds required to wrap a cigar with Connecticut tobacco and the number of pounds required to wrap a cigar with Sumatra tobacco. I could give you my experience in that. It takes 9 pounds of Connecticut tobacco to wrap a cigar per 1,000, and it takes a fraction less than 2 pounds of Sumatra tobacco for the same sized cigars per 1,000.

THE CHAIRMAN. We have had that before, I think.

MR. HILL. I would like Mr. Bijur to state how much Connecticut tobacco it takes to wrap a thousand cigars of a cigar like that [indicating]. That cigar is wrapped with Connecticut broad leaf. How much Connecticut tobacco would that take?

MR. BIJUR. It would take 8 to 9 pounds of broad leaf, but if the wrappers had been Connecticut Havana seed it would take about $3\frac{1}{2}$ or 4 pounds.

MR. HILL. Yes; that is right. That is what they want in Manila.

ADDITIONAL REMARKS OF MR. WAXELBAUM.

(See also p. 133.)

MR. WAXELBAUM. The chairman has stated he felt very sorry for our customs officials if they could not tell the difference—

THE CHAIRMAN. The chairman did not say that; he said if they could not trace tobacco coming from Sumatra to the Philippine Islands and paying duty and then being exported to the United States—if they could not trace that, they would not be very competent men for their positions.

MR. WAXELBAUM. I do not see how they could trace it unless they would have to work Sumatra tobacco in an absolutely separate and bonded factory.

THE CHAIRMAN. They keep pretty good account of your factory, do they not?

Mr. WAXELBAUM. But they do not know in the factory whether you are working Sumatra or Connecticut or what it is.

The CHAIRMAN. They don't have to do that for the internal-revenue law, but there in the Philippines they would be able to trace it through the custom-house. I don't think there is any question about that.

STATEMENT OF MR. E. DE LA RAMA, OF PHILIPPINE ISLANDS.

For the bill. (See also page 200.)

Mr. DE LA RAMA. Mr. Chairman, I am one of the representatives of the Philippine government, and I represent the Philippine Chamber of Commerce in Manila, the Philippine Chamber of Commerce in Iloilo, the Agricultural Association of Panay and Negros, and I am a merchant.

Before starting my statement I beg the indulgence of the committee for my speaking in English. Without doubt the committee will find that my English is not at all correct, but I realize that the committee do not want rhetorical phrases, but just facts. So to save time I am going to try to speak directly in English.

Senator Newlands stated yesterday about the actual conditions of the Philippine Islands, the calamities that we have had there for the past seven years, which are the cause of our bad crops during that time. These calamities are the cause of the seven years of bad crops, and these seven years of bad crops have made the conditions in the islands so bad that many fields have been abandoned completely without any culture, and several properties have been sold at auction.

(**Note.**—From this point Mr. de la Rama spoke, for the most, through an interpreter.)

On account of the lack of capital of the persons still in business there, their condition at the present time is far from an agreeable one. Bankers and capitalists, owing to the uncertainty of the profits, are not willing to advance any funds and make loans, as they do not know if they will get their money back which they have already invested. Conditions are such that owners, notwithstanding the fact of their having good titles, can not find anybody to advance money on mortgages on their property. The conditions are such that if, as one of the gentlemen said yesterday, we made a good deal of money we would not be demanding agricultural banks or funds or mortgage banks or anything of that kind.

It has been stated that Mr. Yulo made \$200,000 last year. Now, if that were true, and had Mr. Yulo really made \$200,000 last year he would have repaid the \$100,000 which he owes to the Spanish Filipino Bank. He would not have submitted to the indignities from the chiefs of the bank, who believe that even with the payment of 10 per cent, which they charge after they pay them back, they are even then still in their debt.

This is the reason we ask for the abolition of the tariff. We especially ask this knowing that we will in no wise prejudice any industry in this country by such an abolition. It is only the fantastical and mathematical calculations of some dreamers which lead persons to believe that these industries will be prejudiced in any way. The Americans who have lived there some time and know the conditions as they are join us in asking for the abolition of the tariff. Otherwise it can not be imagined that their patriotic sentiments

would be so small that they would ask for something which would prejudice their own countrymen.

I do not understand why the statements of Americans who have lived in the Philippines, who have had experience there, practical experience, who know what the conditions are there, having seen them, why their statements should not be believed in the place of statements made by tourists who go there for two or three weeks and derive all their information from hearsay; who get everything they say from persons who are not agriculturists or from persons who tell them everything but the truth. Why their statements should be believed in preference to those people who have been there and have gotten their information on the ground, I can not understand.

The reasons adduced by those who oppose the abolition of this tariff are many. One of the principal causes, and which was made the subject of an investigation of the committee that went to the Philippines, was the question of the ratoon crops. It has been said that we have been doing this for ten years, and it has been said that there is no expense in connection with this crop except cutting it. I am of that country and I have never heard of anything of this kind before. This question of the ratoon crops in the new lands in the Philippines can not be longer than three years, for the reason that after such a time the roots would be so large that it would be impossible to cultivate the plant, and they would intertwine. For that reason it may be asked why we do not make larger intervals between the rows? This is very easily explained. In our country time is the most important element in agriculture.

We begin to plant in November, December, and January, so that when the first rains fall, which begin in April, the cane will have had time to have sufficiently grown to cover the space between the rows and protect itself from any weeds. And, furthermore, during the rainy season it is impossible to cultivate the cane, as the ground is so moist that any cultivation would be injurious to it. So we take that precaution in order that the plant may protect itself. This is one of the reasons we do not use irrigation in the Philippines, because in the Philippines what we have too much of is water. In Hawaii what they lack is water; that is why they need irrigation in Hawaii. They do not have the typhoons that we have in the Philippines. If they had the cyclones that we have in the Philippines they would not cultivate any sugar at all.

According to the report of the Eewa plantation, of Hawaii, it appears—

(The speaker here read an extract from a printed report of the plantation referred to.)

Mr. DE LA RAMA (continuing). The crop of 1904 was estimated by them as 32,000 tons, and due to those floods that are spoken of the crop decreased 900 tons. These floods that they speak of must have been nothing more than what would be considered in the Philippines an ordinary rain, because I never heard of any of these storms we have in the Philippines ever occurring in Hawaii.

In Hawaii they say they only have 32 inches of rain a year. In the Philippines we have 120 inches. So that if they had in Hawaii the rains we have in the Philippines they would not have any crop at all.

It has also been asked why we do not allow the cane to grow for

eighteen months and get larger, and the larger production in proportion. This is also very easily explained. In Hawaii they begin to plant in June, for the reason that there they can plant any time they want to, because they have irrigation. They can prepare their land at any time they wish to. But while means have been found of irrigating land when it is dry, no means yet have been found of drying land when it is wet. That is the reason we can not do our planting in June—because it is just in the rainy season. So we are forced to begin planting at the beginning of the dry season, which is in November, December, or January.

A MEMBER. When do you do your plowing?

Mr. DE LA RAMA. In the rainy season.

We also do our planting at that time because it is the time that we cut our cane for grinding, and we plant the top of the cane because it is the best seed. That has been tried in all the countries where cane is grown. We are obliged to do our cutting in the dry season, because in the wet season the rains are so heavy that there would be absolutely no roads and no means of doing so. It is so wet that no person could do the work at all. Owing to our very primitive methods we are obliged to dry our bagasse by the heat of the sun. In Hawaii they are not obliged to do this, because they have modern machinery there; they have modern methods there.

The CHAIRMAN. It has been said here that that is because they do not get all the juice out of the cane. Is that the reason or because of the climate?

Mr. DE LA RAMA. In the Philippines or in Hawaii?

The CHAIRMAN. In the Philippines.

Mr. DE LA RAMA. It is due to their very primitive machinery. If they have to change their machinery they would be obliged to spend many millions of dollars, and they can not afford to do that; that would cost a great deal of money we have not.

The lands where the ratoon crops are cultivated are new lands near the hills. The disadvantage of these lands is that they are so far from the shipping points, and the transportation is four times as high as it would be if they were nearer the shipping points. Furthermore, the quality of the sugar is much inferior to that which is secured from lands which have been under cultivation longer. The disadvantages of the distance and the bad quality of the sugar can not be compensated by the cheapness of the production of these ratoon crops. For this reason it was that when we suffered from the epizootic we were forced to abandon these new lands and have recourse only to the land where cultivation had been going on, without any ratoon crops at all.

With regard to the statement made by the foreman of the La Granga farm that he has seen these ratoon crops for ten years, a statement which was made before the delegation which came over to the Philippines, I will say that this statement can not be believed. This is especially so because, while the gentleman says that he saw these crops for ten years, he also acknowledges that he has only been there for three years.

A BYSTANDER. He said that he had been there for three years, but he had been told this by somebody who lived there.

Mr. DE LA RAMA (continuing). This foreman said he was told by a

Mr. Rodriguez that he prepared these crops of which he speaks. I will submit a letter to the committee which Mr. Rodriguez wrote me before I left the Philippines.

DEPARTMENT OF COMMERCE AND POLICE.

Manila, San Enrique, October 25, 1905.

Señor Don ESTEBAN DE LA RAMA, Iloilo.

MY DISTINGUISHED FRIEND: After expressing to you my heartfelt pleasure and enthusiasm upon hearing your final acceptance of the duty of representing us in the national capital and of devoting your energies for the benefit of our agricultural interests, I wish to send my little suggestion in case it may be of use to you.

For the three farms which I operate under lease I have obtained in the last five years the following crops: Some of the lands near the sea have yielded in that period only three crops, and those nearer the interior five, while those next to the mountains by means of ratoon crops have yielded seven.

As to the cost of labor per picul from the time of plowing the land until the raw sugar is placed on the market in Iloilo, counting all expenses, including the rents paid on the leases of the estates, I estimate that it averages between \$1.75 and \$1.88 United States currency, the variation from year to year depending on the rainfall.

In view of the epidemic of rhinderpest, which for the last five years has prevailed in these islands and bids fair to annihilate our cattle, would it not be advisable to suggest to some manufacturing concern to invest in a small steam plow, say of two, three, or six horsepower, which will be put on the market at a price within the reach of the average planter?

Very respectfully,

VICTORIANO RODRIGUEZ.

And it can not be believed that this gentleman worked with more facilities than the other planters, because the government says the sugar produced there costs twice as much as it does elsewhere.

The ratoon crops have had to be abandoned on land which has already been in use some time, because it has been observed that it exhausts the land very much. It is contrary to any agricultural principles that any piece of ground should be planted in the same crop two successive seasons, as it exhausts the land too much.

It has been observed in the Philippines that the plantations that adopt the ratoon crop system produce less than those that do not follow that system. They produce less than those which have done nothing but use the new plants.

Another disadvantage of the ratoon crop is that it can not stand the inclemencies of the weather as well as the new plant. When the rainfall is excessive the production falls off.

Whether we use the ratoon or the other, the fact is that the cost of sugar put in Iloilo, without considering loss of cattle, is 1½ cents gold per pound. If we add to that a cent and a half, the 90-cent tariff which we have to pay, and 50 to 60 cents for the expense of placing it on board, such as insurance, transportation, freight, etc., we would get the result of 3 cents per pound for our sugar put in New York f. o. b. This sugar is one-eighth, 87 to 88 degrees; two-eighths, from 84 to 85; five-eighths, from 79 to 80, making an average of about 84 degrees. Sugar of this grade in New York is now quoted at less than 2 cents a pound.

Now, then, in that case, when our sugar costs us 3 cents f. o. b. New York, how can we afford to send it there? How could we place the sugar in New York when the price in New York is 2 cents or less and ours is 3 cents, and how can we place it in New York, paying the tariff and the other consequent charges? Even if the sugar did not cost us anything to produce we would not be enabled to place it

in New York, because if required to pay 90-cent tariff and 60 cents freight and insurance and other charges, we would only have 40 or 50 cents left to cover the losses and pay the commission charges, and I do not believe that under such conditions we would send our sugar.

Or, again, another one of the reasons adduced by the opponents of this measure is the low price of labor in the Philippines. They say that the wages in the Philippines are from 15 cents to 20 cents gold per day, and that the wages of the United States are from \$1.50 to \$2 gold—that is to say, ten times as much as the labor in the Philippines. But, now, let us examine this. The American laborer can work 40 acres of land per year, while the Filipino laborer can not work more than two acres and a half—that is to say, one-sixteenth of the land worked by the American laborer. So that if we compare what the American laborer can work with what the Filipino laborer can work, we will see that the price of Philippine labor is six times dearer than that of the American labor.

Referring to the report of the manager of the plantation in Hawaii to which I have referred, he stated that in the crop of 1904 they employed 240 men, that in that year they expected a crop of more than 32,000 tons. I will now take the liberty of submitting to the committee a statement of properties belonging to the firm of Hijos de la Rama, one of whom I am. Total area, 10,000 acres; 3,500 acres of land for cane; 4,500 acres rice land; 1,500 acres pasture land; 400 acres for cocoanuts and bamboo; 100 acres for hemp and other products. Of the 3,500 acres of land for cane not more than one-half is cultivated, leaving the other out—that is to say, 1,750 acres producing an average of 1 ton per acre. Last year on account of the climate this crop was below this average, and it was not possible to have it more than 1,500 tons, as can be established by the books of the firm.

This firm employs machinery on said plantation for the exclusive manufacture of sugar, five machines of 12 horsepower, at 10,000 pesos conant, 50,000 pesos. It employs 2 machines of 8 horsepower at 8,000 pesos, 16,000 pesos; 8 machines of 6 horsepower at 6,000 pesos, 48,000 pesos; 1 machine of 4 horsepower, 4,000 pesos; 1 mill moved by animal power, 1,000 pesos. The value of buildings is estimated at 100,000 pesos conant. About 1,200 head of cattle. 150,000 pesos; tools, agricultural implements, and so forth, 10,000 pesos; total, 379,000 pesos conant.

Mr. WILLIAM ALDEN SMITH. Where is this land located?

Mr. DE LA RAMA. In Negros. We employ on these plantations exclusively for the cultivation of sugar cane 600 persons, and during the grinding time we need, more or less, 600 persons more—that is, when the product is about 1,700 tons. Now, then, in Hawaii, with a crop of 32,000 tons, they only need 242 persons for its cultivation, while we need 600 men to produce 1,700 tons. Is this the kind of agriculture that you want to be protected from?

Mr. WILLIAM ALDEN SMITH. What is the wage?

Mr. DE LA RAMA. Twenty cents United States, 40 conant.

Mr. WILLIAM ALDEN SMITH. A day?

Mr. DE LA RAMA. Yes.

Mr. WILLIAM ALDEN SMITH. And found?

Mr. DE LA RAMA. Yes; we feed them.

Mr. WILLIAM ALDEN SMITH. What does it cost to feed a man a day?

Mr. DE LA RAMA. About 10 cents gold. During the grinding time it costs more, about 5 cents more. To say that the cost of labor in the Philippines is lower is an absurdity. If less were paid them it would be impossible for them to live, where meat costs 50 cents a pound and everything a great deal more than it does here. We are obliged to import everything we use.

Mr. McCLEARY. Do your workmen eat meat?

Mr. DE LA RAMA. If they do not eat meat it is because they can not get it. If they have the money they eat it or if it is given to them.

Mr. WILLIAM ALDEN SMITH. I want to be sure I understand you. You say that the laborers get 20 cents a day?

Mr. DE LA RAMA. Yes.

Mr. WILLIAM ALDEN SMITH. And that you feed the laborers, and that costs about 10 cents a day. That is correct, is it?

Mr. DE LA RAMA. Yes.

With the resources at our command now and the cattle which have been left us after the epidemic of rinderpest it would be impossible for us to produce more than 100,000 tons.

Mr. WILLIAM ALDEN SMITH. What is the value of this land per acre?

Mr. DE LA RAMA. A hectare is worth from \$75 to \$100 gold— $2\frac{1}{2}$ acres.

Mr. WILLIAM ALDEN SMITH. That is the price you put upon it, but is that the price you paid for it?

Mr. DE LA RAMA. These lands were gotten from the Spanish Government. The cost of clearing that land is quite high. It costs as much as the price of the land.

Even if we should have no more trouble from the rinderpest, to produce the 200,000 tons, which we produced formerly, would take us at least fifteen years to replenish the cattle which we have lost. We never produced 400,000 tons, as Senator Newlands yesterday stated. Our highest production was in the year 1893, when it was 300,000 tons, and our exportation in that year was 260,000 tons, 40,000 tons being used at home.

Mr. WILLIAM ALDEN SMITH. If they pay 20 cents a day for their labor, would it make the island prosperous—the employment of labor at that figure?

Mr. DE LA RAMA. That is why sugar costs a cent and a half per pound.

Mr. WILLIAM ALDEN SMITH. But does that make the labor prosperous there?

Mr. DE LA RAMA. It just gives them a living.

Mr. WILLIAM ALDEN SMITH. Does it furnish them the necessities of life?

Mr. DE LA RAMA. Just the necessities of life; yes, sir.

Mr. ROBERTSON. How are Philippine sugars graded according to the Dutch standard, above 16 or below 16?

Mr. DE LA RAMA. Below; much below.

Mr. ROBERTSON. I want to ask you if you do not know that the difference between the tariff on sugar coming from the Philippine Islands under the concessions already made works out so that you get

the difference between 126 a hundred and 94; that you get a preference over any other sugars coming into the United States?

Mr. DE LA RAMA. I have not made that comparison, but what I know is that it costs our sugar 94 cents—

Mr. ROBERTSON. And the tariff on sugar under 16, Dutch standard, polarizing at 84, coming in without this concession, would pay, as well as I could make the calculation here now—and I am sure it is right—126 a hundred, while your sugar, the same grade of sugar, polarizing the same, would pay 94 cents. You would have the preference, then, between 126 and 94 already, as against any other sugar coming into the United States?

Mr. DE LA RAMA. No; I have not made that comparison.

Mr. ROBERTSON. But I have made the comparison, and that is a fact.

Mr. DE LA RAMA. Mr. Welborn will be able to answer.

Mr. WELBORN. I will be glad to look at that.

Mr. ROBERTSON. The difference between 126 and 94, the preference in favor of Philippine sugar coming into this country.

Mr. DE LA RAMA. Senator Newlands said yesterday that Cuba produced a million tons of sugar and we could also produce a million tons in four or five years.

Cuba produced a million tons ten years ago, and now they produce about a million tons also; and they have had in Cuba for a good many years modern machinery. Now, then, we who do not produce but 200,000 tons and who have lost so much capital with rinderpest, are we going to produce 1,000,000 or 2,000,000 tons a few years hence? In Louisiana they have been unable to increase their production more than 100,000 tons in ten years, and the producers of beet sugar have not been able to increase their production more than 200,000 tons. Now, then, if it has been impossible for you to increase your production more than has been stated, how are we barbarians going to increase our production five or six times as much in four or five years? That would be to put our ability on a much higher level than that of any other country in the world. Are you not ashamed to place yourselves on a lower level than a barbarous people?

One of the fears of the opponents of the reduction of the tariff is the recommendation that the law be changed, and instead of 2,500 acres that 25,000 acres should be granted. I do not believe that this fear has any foundation, for it is nothing but a recommendation to the Commission, and when a bill to that effect is presented it would be time to discuss it.

Mr. ROBERTSON. One of the reasons why the beet-sugar industry of the United States and the sugar industry in the United States has not increased is on account of the continued agitation of the tariff question and concessions to the Philippines and Hawaii. Now, we are trying to prevent further destruction of our industry by trying to prevent further reductions. That is all.

Mr. DE LA RAMA. So that would be a kind of a dog-in-the-manger policy; that you can not supply the consumption of the United States yourselves, and you do not want anybody else to supply that consumption?

Mr. ROBERTSON. Yes; we will supply it in the course of time. The beet-sugar industry was rapidly reaching a point where it would supply the home consumption, but here comes Cuba and here comes the Philippines and the Hawaiian Islands, and we grant them conces-

sions, and that is what has kept the industry in the United States back.

Mr. DE LA RAMA. I do not wish to discuss anything about Hawaii or Cuba, but we will not produce more than 200,000 tons in fifteen years from now. I do not believe that 200,000 tons can injure any industry in the United States, especially fifteen years hence.

Mr. ROBERTSON. Are you talking about the Philippines now?

Mr. DE LA RAMA. Yes.

Mr. ROBERTSON. Did they not produce 300,000 tons in 1893?

Mr. DE LA RAMA. But that was before the loss of the cattle, when we had more money. We have had seven years of bad crops now. We have lost 90 per cent of our cattle, instead of 50 per cent as Senator Newlands said yesterday. Now, are we going to produce 300,000 tons of sugar after having lost our cattle, and with our miserable condition as Senator Newlands stated it?

Mr. ROBERTSON. I suppose steam plows will be invented, and that will enable you to increase your production enormously and save great expense.

Mr. UNDERWOOD. Can any of the Philippine laborers cultivate the sugar plantations, or do they have to be specially educated for that purpose?

Mr. DE LA RAMA. We have to educate them.

Mr. UNDERWOOD. How long does it take to educate them?

Mr. DE LA RAMA. Not very long. Our system is very primitive. It is not very difficult to teach them. If we had to teach them the new system—the system with modern machinery—it would take a long time. You Americans have stated that to teach your laborers to raise beet sugar you have to take a good many years. How long do you think it is going to take our barbarous people to teach our laborers to change their system and to adopt another kind of a system than that employed at the present time?

To return to the recommendation that the holdings be increased to 25,000 acres, this was done only in favor of Americans. Our ambitions are not that high; we do not have the imagination of large enterprises such as Americans have. We have not got to the point of wanting such large holdings yet. Why should any measure be feared that is simply going to be in favor of the Americans? So that you are going to be scared of yourselves. I do not understand this, and if to protect an industry which is not threatened in any way an attempt is going to be made to paralyze the glory of Americans in other countries, then my understanding of the matter is still less; because the glory of Americans in other countries is the glory of America, especially in a country where the same flag waves that flies in the United States.

There has also been a doubt expressed as to our statement that our market is China, but that is an absolute fact. It has been established that the greater amount of our sugar is sent to China, and that the Chinese, when they are forced to do so by competition, also pay good prices, as was the case last year. The greater part of our sugar, which is sent to Hongkong, is not sold to the refineries, as has been stated before the committee, but is sold directly to the consumers there.

It has also been asked why we do not change our crops; but this question of changing the kind of crops is an easy thing to speak of,

but it is a very difficult matter in practice. It is the belief of some that the soil in the Philippines is adapted to any kind of crops. Now, this is a great error. Hemp, for example, we can only plant in certain kinds of soil. It is only possible to plant hemp in soft and volcanic soil, in soil through which the water filters with ease. The cocoanut tree can be planted only in sandy soils, and rice can only be planted in heavy soil, through which the water does not filter.

After all the calamities we have suffered, we have endeavored to plant other crops in all the lands except in the sugar-cane lands, but to grow hemp or cocoanut it is necessary to wait many years.

Mr. UNDERWOOD. How much sugar land have you got there—land you call sugar land?

Mr. DE LA RAMA. Three thousand five hundred acres is the proportion of sugar land in 10,000 acres of our property.

Mr. UNDERWOOD. That is on your plantation; I mean in the whole Philippine Islands.

Mr. DE LA RAMA. Nobody can give an estimate of the amount of the sugar lands in the Philippine Islands without going there and examining it himself, because anybody making a statement that any land that is clear would be suitable for the purpose of cane is mistaken. It is impossible for us to plant sugar cane on the sides of hills or on inclined land, because the rains are so heavy that the soil falls down. In Hawaii, on the contrary, they can plant on the sides of the hills, because they have no water to wash their land down. It is also true that there is a good deal of land in the Philippines which can only be used for pasture, which can not be cultivated at all. So in these 10,000 acres of land owned by my firm, which is selected land, even in that land there are about 1,500 acres suitable only for pasture. We can not plant on that land at all.

It has also been stated that last year we imported into the United States a good deal more sugar than in previous years. This can be very easily understood. This does not mean that last year our production was greater. On the contrary, the production of last year was smaller, and instead of 79,000 tons, as we had exported through the port of Iloilo, last year we only exported 66,000 tons, of which 39,000 tons came to the United States and 26,000 tons went to China. The year before last we sent to the United States 20,000 tons. Now, then, our production was really smaller. The reason that this exportation was larger was that the United States, being a country where the largest deficit existed, it was the natural market for that sugar. It naturally needed it more than any other country, and it found an easier sale in that country. That is the reason why the exporting houses over there last year bought a larger amount and imported more sugar, which they did for speculative reasons, believing that the price would rise.

As Mr. Peabody said yesterday, the greater part of that sugar has not been sold, because while it was en route the price had decreased.

Now, speaking of the investigation made by Mr. Hathaway in Negros, on account of the precarious state of the country in the Philippines, when anybody goes there and makes inquiry we usually state things much better than they really are, so as to induce a little capital in if possible; but we have realized that the Americans have nothing foolish about them, because up to the present time no capital has come. [Laughter.]

Mr. Hathaway says he was told by Mr. Regalado that a picul of sugar was sold in Iloilo at one fifty, and that that gave a large profit. Now, if Mr. Rigalado really believed what he said to Mr. Hathaway, he would be a planter himself instead of an interpreter at \$1,000 a year, which he has been since the American occupation, and throwing away his time miserably.

Mr. Estavanes has stated that his ground would produce ten years of ratoon crops. And yet I know that Mr. Estavanes has been exceedingly anxious to sell his land. He told everybody a whole lot of things about his land to see if he could not get his price, but Mr. Estavanes has sold most of the land he has, not at his price, but the price they gave him.

Mr. WILLIAM ALDEN SMITH. In what province?

Mr. DE LA RAMA. In Negros.

Mr. WILLIAM ALDEN SMITH. If it will not interrupt you, I would like to refresh your memory. In your testimony you gave before the gentlemen over there you were asked what the price of land was in Negros, and you replied, "I hardly know how to answer; it is held at all prices." Somebody, answering for you, Señor Heras, replied, "From 30 to 50 pesos per acre." Now, I understand you to say that your land is worth \$40 an acre?

Mr. DE LA RAMA. In gold, yes. Well, it is just about what I state now.

Mr. WILLIAM ALDEN SMITH. This Mr. Heras answered the inquiry put by Mr. Scott when you failed to answer it.

Mr. DE LA RAMA. Mr. Heras comes from another province.

Mr. WILLIAM ALDEN SMITH. He is talking about Negros.

Mr. DE LA RAMA. He can not talk about Negros.

Mr. WILLIAM ALDEN SMITH. This is what he says. He says, in answer to that question—after you had said you hardly knew what the prices were—"From 30 to 50 pesos per acre."

Mr. DE LA RAMA. In his province?

Mr. WILLIAM ALDEN SMITH. No, no; in Negros. He says that in the province of Pampanga the best sugar land is worth a great deal more; that the average price in Pampanga might be placed at 58 pesos per acre. That would not bring it up to your figure. That is what he says on page 36. There is a wide discrepancy between his estimate and yours.

Mr. DE LA RAMA. It is not, of course, very easy to estimate it. The land sells according to the necessities of the holder. If you buy land at auction, of course you may get it very cheap. There is much land now sold at auction there on account of the bad conditions, and you can get it for low prices.

Mr. WILLIAM ALDEN SMITH. Another thing, while we are on that point, while we are on the question of wages, which I asked you about a moment ago, you said that the average wage is 20 cents a day.

Mr. DE LA RAMA. Yes, sir.

Mr. WILLIAM ALDEN SMITH. I noticed you were examined over there by Representative McKinlay, of California, and when you were asked what the wage was by him, his question being to give him the number of pesos per month before the war paid in wages, you said, "For field hands we paid before the war 3 pesos to 4 pesos per month."

Mr. DE LA RAMA. Yes, sir.

Mr. WILLIAM ALDEN SMITH. Then Representative McKinlay asked you, "And their food?" and you replied, "No, sir; without food. Now we pay a little, or twice as much, and feed them." Is that correct? You paid before the war 3 to 4 pesos per month; that would be \$1.50 to \$2 a month?

Mr. DE LA RAMA. Yes.

Mr. WILLIAM ALDEN SMITH. Without food. Now, since the war you say, "We pay them a little over twice as much," which would be \$3 a month?

Mr. DE LA RAMA. Twice as much.

Mr. WILLIAM ALDEN SMITH. You say, "We pay a little over twice as much and feed them."

Mr. DE LA RAMA. Then it would make three times as much.

Mr. WILLIAM ALDEN SMITH. If you paid a little over twice as much as 3 pesos or 4 pesos, taking the maximum, and the maximum wage, you would get it to about 10 cents a day.

Mr. DE LA RAMA. And to feed them?

Mr. WILLIAM ALDEN SMITH. For the wage altogether. In other words, you make it out about twice as much now as you did when you gave your testimony over there. I am quoting your language on page 42. That is what you say about it. You say here (reading): "For field hands we pay from 3 to 4 pesos per month." That is \$1.50 to \$2 a month. Now, since the war, you pay a little over twice as much. Is that correct?

Mr. DE LA RAMA. I must study that up.

Mr. WILLIAM ALDEN SMITH. To what is that increase of wage due?

Mr. DE LA RAMA. Of course we now pay in the Philippines 20 cents, it must be a mistake—

Mr. WILLIAM ALDEN SMITH. You can think it over and make any correction you desire to make.

Mr. DE LA RAMA. Those pesos there are pesos gold.

Mr. WILLIAM ALDEN SMITH. I was talking about gold.

Mr. DE LA RAMA. I say 3 or 4 pesos per month.

Mr. WILLIAM ALDEN SMITH. I am trying to fix the maximum wage and reconcile your statement now with your statement made before these gentlemen at Manila, if I can.

Mr. DE LA RAMA. My testimony referred to pesos in gold.

Mr. WILLIAM ALDEN SMITH. My only point was that it was a little less, or seemed to be, than the wages you give now.

Mr. DE LA RAMA. We are speaking there of pesos gold, not silver pesos.

Mr. WILLIAM ALDEN SMITH. My only object is to understand you perfectly, if possible.

Mr. DE LA RAMA. Now, with regard to the statement of Mr. Lacson, to whom Mr. Hathaway has referred in his statement, if what Mr. Lacson said to Mr. Hathaway is true, he would not have abandoned his cultivation as he did, and as some of the members know who saw it when they were over there.

With regard to the statement of Governor Jaime, Mr. Noland has said that Mr. Jaime was induced to believe by Mr. Hathaway that Mr. Hathaway wanted to buy some land. Mr. Jaime was anxious to sell some land which he held there which was not cultivated. The only American who holds some land in Negros is Mr. Rothrock. Now, if Mr. Rothrock holds any lands there it is not because he wants

them, but because he was obliged to take them. Mr. Rothrock is a lawyer, and when a client has no money to pay over there he gives the lawyer the land. That is the reason Mr. Rothrock holds some land there. Mr. Rothrock did not want this land, because he has stated that the land gave him more trouble than his legal work.

It has also been asked whether it is possible to find a substitute for the carabao in the Philippines. The United States Army has lost a good deal of money in importing mules and horses. The American Army can afford to lose that money, but we planters, who have not the money, can not afford to experiment, especially knowing that an experiment has already turned out badly. It has also been said that the American laborer would work as much in the Philippines as he does in the United States, and that a mule would be able to do as much. Now, I do not believe there is anybody who believes this. The climate of the Philippines can not be compared with that of the United States, and I do not believe that an American could work as much over there as he does in the United States on account of the climate. It is really impossible. Proof of this is that the Americans in the Philippines who do not do any hard labor, even then have to take little trips to the United States to recuperate.

The Brussels convention has also been spoken of before this committee. Now, I ask myself the question, what have we got to do with the Brussels convention? Is the United States one of the signers of the convention? Are Japan and China signers of the convention? What do we care if the signers of this convention prohibit that we import our sugar into their country, when we do not do it anyhow? Statistics show that for the last eight years we have sent sugar nowhere but to China and the United States, and a little to England when, notwithstanding the conditions of the Brussels convention, they were obliged to buy some. So that the Brussels convention has nothing to do with the question of the abolition of the tariff with regard to us.

It has also been said that the only market we would find would be the refineries of the United States. We do not believe this. We think that our market would have to be partly in China and partly, of course, the refineries of the United States. It has been stated here that the refineries of the United States would not buy our sugar. I ask why? If the refineries after buying all the sugar they can in the United States can not supply the consumption they must buy it somewhere, and if we came into the United States with more advantages than the other countries could come, of course they would buy our sugar. That is, if they could not buy it at a greater advantage from others of course they would buy it from us. There is no reason why they should make any distinction in our regard and not buy our sugar.

Mr. Hathaway has also said that I stated before the Congressional party that the only purchasers of sugar in the Philippines were the Chinese. Mr. Hathaway further says that last year in addition to the Chinese there were some other foreigners who bought sugar. Mr. Hathaway is right, but I also am right. Last year was an exceptional year on account of the deficit of 1,000,000 tons. Now then, if Mr. Hathaway, who says that there would be a deficit of a million tons every year, if he assures us that we would get the same price that we

got in Iloilo last year, then in that case we would not have to come to the United States and molest you with a statement of this kind.

It has also been said that from an economical standpoint the admission of 300,000 tons of sugar free of duty into the United States would make it incur a sacrifice of \$7,000,000, and that this sacrifice or loss would not be offset by the profit from the products exported by the manufacturers into the Philippine Islands from the United States. Notwithstanding the calculations which are made in this connection, I will bother the committee now and show that there is some compensation, and that this is offset to a certain degree.

Mr. WILLIAM ALDEN SMITH. If it will not interrupt you, I understood you to say that the buyers of sugar in the Philippines were who—Japan and China and England?

Mr. DE LA RAMA. And the United States. They have sent sugar to this country for the last years in the hope that the tariff will be abolished.

Mr. WILLIAM ALDEN SMITH. In his testimony before the Taft party, at page 35, this gentleman was asked to whom they sold sugar, and his reply was: "There are no buyers in the islands at present except Chinese buyers; they buy all the sugar for those islands."

Mr. DE LA RAMA. I stated that; and at present there is nobody but Chinese. Last year we exported to this country and to China on account of the deficit. So we had other buyers, but at the present moment we have no buyers but Chinese buyers. I stated that in the present moment now we have not any buyers but the Chinese buyers; we have no buyers from New York and England.

Mr. WILLIAM ALDEN SMITH. When you say the present moment you mean this period?

Mr. DE LA RAMA. Yes.

Mr. WILLIAM ALDEN SMITH. Now, then, sugar that is in bond in New York was bought by these Chinese people?

Mr. DE LA RAMA. No; last year it was an exception.

Mr. WILLIAM ALDEN SMITH. Who bought it, then?

Mr. DE LA RAMA. The foreigners, the English. Mr. Peabody stated yesterday about that.

Mr. WILLIAM ALDEN SMITH. I simply wanted to understand it. There was a little conflict there.

Mr. DE LA RAMA. Now, I am going to show that the sacrifice is worth the while, or will be offset by the benefits to the American manufacturers. It has been estimated that the importation into the Philippine Islands of foreign manufactures amounted last year to \$28,000,000. Now, suppose there was free trade between the Philippines and the United States and we got from the United States \$20,000,000 of that \$28,000,000. Estimating the profit of the American manufacturers at 20 per cent on this \$20,000,000, that would be a profit of \$4,000,000. Four million dollars would compensate the loss in duty on less than 100,000 tons of sugar, which we might send during the next few years.

Naturally the exportation of sugar into the United States would increase yearly, but by the time that we should export 300,000 tons of sugar and the Treasury of the United States had lost \$7,000,000 we would already have put a good profit into the hands of their manufacturers. This profit of 20 per cent has been estimated without considering the profit which would be derived by the steamship

agents and the commission merchants and other gentlemen. Under the law that nothing could be shipped except in an American bottom, it would be natural that the American shipowners would profit thereby also.

Mr. CURTIS. Would there not be some profit in giving up the duty you now have on hemp?

Mr. DE LA RAMA. There is no duty in this country.

Mr. CURTIS. I mean they would open up and exchange in the bringing over of hemp to this country and that they would buy more hemp than now if we bought sugar, and it would increase the trade. If they removed the duty on our products, the chances are that would bring more of their products over here in the bottoms that carried our goods over there—American bottoms.

Mr. DE LA RAMA. Yes, sir.

Mr. CURTIS. Is that not a fact?

Mr. DE LA RAMA. It would increase the trade; yes. There is no doubt about that. It would naturally be, if duties were taken off on products which came from the Philippines here to the United States, that they would buy more products from the United States than they have heretofore.

I do not believe that the American manufacturers have goods which are inferior or which could not compete with other foreign manufacturers, especially if they had the advantage of free entry to the Philippines.

I will read now to the committee a letter from the General Tobacco Company, which was given to me.

The CHAIRMAN. Right there I will ask you how much longer you desire?

Mr. DE LA RAMA. I have very little more. (See page 200.)

The CHAIRMAN. I think we should hear Mr. Willett now for a few moments.

STATEMENT OF MR. WALLACE P. WILLETT, OF NEW YORK, PUBLISHER OF THE STATISTICAL SUGAR TRADE JOURNAL.

Mr. WILLETT. Mr. Chairman and gentlemen, I have been asked to explain to your honorable committee the working of the Brussels sugar-bounty convention, which was signed March 5, 1902, and went into operation September 1, 1903.

The signatory powers are Germany, Austria, Bohemia, Belgium, Spain, France, United Kingdom (which included Great Britain, Ireland, British dominions, and India), Italy, Netherlands, Sweden, Norway, and probably Roumania.

The authority from which I draw the facts and conclusions which I present are mainly derived from the official correspondence relating to the Brussels sugar-bounty conference, presented to both Houses of Parliament by command of His Majesty, April, 1902, after the signing of the convention. (Pamphlet, Miscellaneous, No. 5, 1902.)

By this convention the high contracting powers undertake to suppress the direct and indirect bounties by which the production or export of sugar might benefit, and agree not to establish bounties at any time during the whole duration of the convention. These direct and indirect bounties are specified as follows: The direct bounties

granted to exports; the direct bounties granted to production; total or partial exemptions from taxation granted for a part of the manufactured output; advantages derived from excess of yield; advantages derived from the exaggeration of the drawback, and advantages derived from any surtax in excess of the rate fixed by the convention.

The high contracting parties undertake to limit the surtax to a maximum of 6 francs per 100 kilograms for refined sugar (53 cents per 100 pounds) and to 5 francs 50 centimes for raw sugars (49 cents per 100 pounds). They describe the "surtax" as the difference between the rate of duty or taxation to which foreign sugars are subject and that imposed on the national product.

This interpretation applies to all countries within or without the convention.

The high contracting parties agree to impose a special duty on the importation into their respective territories of sugars from countries that grant bounties, either on production or export, which duties shall not be less than the amount of the bounty, direct or indirect, granted in the country of origin, reserving the option to prohibit the importation of bounty sugars.

In order to calculate the amount of the advantages derived from the surtax of any country the figure fixed by them—say, 53 cents per 100 pounds on refined and 49 cents per 100 pounds on raw sugars—is deducted from the amount of this surtax. The half of the difference is considered to represent the bounty.

The high contracting parties establish a permanent Commission charged with watching the execution of the provisions of the present convention. One of its duties is to ascertain whether any bounties exist in nonsignatory states and to estimate the amount for the purpose of assessing a special duty thereon. Also, to pronounce an opinion on contested points.

This commission shall have only the duty of examination and report, reports to be made to the Belgian Government, which shall convoke a conference to take such decisions or measures as the circumstances demand. Their decision to take effect within two months time at latest.

These are the main features of the Brussels convention which interest us.

I will give you an illustration of their application.

Mexico, up to March, 1904, assessed a duty of 15 cents per kilogram Mexican money, equal to \$3.39 per 100 pounds United States money. Mexico for many years produced less sugar than it consumed, but in 1903 it reached the point where it produced more sugar than it consumed. Looking for an outlet for this extra production they were confronted with the Brussels convention, which interpreted their import duty of \$3.39 per 100 pounds as an excess of \$2.89 above the about 50-cent maximum limit of the convention. One-half of this—\$1.45—was called surplus surtax and the other half—\$1.45—was called bounty.

The countervailing duty which the convention would assess against Mexico was equivalent to \$1.45 per 100 pounds, which, of course, was prohibitive.

To come within the provisions of the Brussels convention, the minister of finances of Mexico last year, at the request of the Sugar

Association, so as to enable the Mexican sugar makers to export their production to England; and benefit by the convention of Brussels, reduced the import duties on sugar going into Mexico to 6 francs per 100 kilos of 220 pounds, say 53 cents per 100 pounds United States currency, the same amount of duty now being assessed by Mexico, as the amount of surtax allowed by the convention.

This example shows clearly the application to any other country.

The import duty on sugars into the Philippines is 73 cents per 100 pounds, which is 20 cents per 100 pounds surtax, less the 2 cents per 100 pounds charged on the exportation of sugar from the islands, say 18 cents per 100 pounds. Under the ruling of the convention one-half of this amount, say 9 cents per 100 pounds, is excess surtax, and the other half, 9 cents per 100 pounds, is bounty, but the permanent commission, in their discretion, have recently decided that the Philippines have a permissible surtax and no bounty. Their decision reads as follows:

"Regarding the Philippines there exists a surtax, but the commission has decided that this surtax can not be construed to mean a bounty for raw or refined sugar." Hence, at the present time, Philippine sugars can be exported to the United Kingdom or Europe, notwithstanding the fact that the Philippines receives from the United States a gift of duties or a partial exemption from taxation granted for the manufactured product of 33.9 cents per 100 pounds for 84-test sugar, which being less than the limit of 49 cents per 100 pounds on raw sugars, is not taken cognizance of by the permanent commission, but should this 33.9 cents per 100 pounds be increased to above the 49 cents per 100 pounds allowed by the convention, the permanent commission would undoubtedly consider such excess as being an indirect bounty granted the Philippine Islands by the United States and assess duties against it accordingly or prohibit their importation.

Perhaps it might be interesting to the committee to see how the convention decided upon sugars from some other countries. The entire decisions were, first, that Bolivia does not produce or export sugar; second, that Guatemala has neither an agreement or association to maintain prices sufficient to favor exportation; third, that Honduras does not export sugar—the domestic production is very small and the needs of the country are covered by the importation of sugar from the United States; fourth, Paraguay does not export sugar; fifth, regarding the balance there exists a surtax, but the commission has decided that this surtax can not be construed to mean a bounty for raw or refined sugar; sixth, the countervailing duty already fixed by the commission should be definitely maintained. The countervailing duties applied to numbers 1 and 5 should be suppressed. Five is the Philippines. There has been a countervailing duty against the Philippines that should now be suppressed, the commission say.

Mr. UNDERWOOD. Does the countervailing duty apply to the free ports of Great Britain and Germany in the Orient?

Mr. WILLETT. India has the discretion of applying it or not.

Mr. NEEDHAM. How would it be at Hongkong?

Mr. WILLETT. That is not in the convention.

Mr. McCLEARY. Say that again, please.

Mr. WILLETT. Hongkong is not a signatory power.

Mr. UNDERWOOD. But I asked you about the free ports. Hongkong is a free port.

Mr. WILLETT. It is not within the terms of the convention; no.

Mr. DALZELL. What is the date of the Brussels convention?

Mr. WILLETT. This last one?

Mr. DALZELL. Yes.

Mr. WILLETT. It came by the last mail from Europe, the latest decision made in regard to these countries—the last decision.

Mr. DALZELL. That the Philippines are exempt?

Mr. WILLETT. Yes; they have been charged with that bounty, but now they are exempt.

Hence, at the present time Philippine sugars can be exported to the United Kingdom or Europe, notwithstanding the fact that the Philippines receive from the United States a gift of duties or a partial exemption from taxation granted for the manufactured product of 33.9 cents per 100 pounds on the 84-test sugars, which is the sugar of the Philippines, which being less than the limit of 49 cents per 100 pounds on raw sugars, is not taken cognizance of by the permanent Commission, but should this 33.9 cents per 100 pounds be increased to above the 49 cents per 100 pounds allowed by the convention, the permanent Commission would undoubtedly consider such excess as being an indirect bounty granted the Philippine Islands by the United States, and assess duties against it accordingly or prohibit their importation.

The CHAIRMAN. Your idea is, then, that the question of the bounty depends on the amount of the concession?

Mr. WILLETT. Yes; anything that exceeds 50 cents above is a direct bounty; anything below 50 cents is an indirect.

Mr. CURTIS. Then, if your argument is true, why do they not apply to Hongkong?

Mr. WILLETT. Hongkong is not within the convention.

Mr. CURTIS. But it is a colony of England.

Mr. WILLETT. Canada is not included either, and Canada is an English colony. India has discretion. The states I have mentioned have no discretion whatever. Others outside are subject to the decision of the convention.

Mr. UNDERWOOD. Then the decisions of the Brussels conference do not apply to any countries in the Orient, or China or Japan; they are not affected by it in any manner?

Mr. WILLETT. No; unless they produce sugar and give a surtax. They are only affected by it if they produce sugar and come within the law.

Mr. UNDERWOOD. The English or German colonies in China and Japan—

Mr. WILLETT. Are at liberty to import sugars from the Philippines. It does not follow that if it was undertaken to import sugars into India that carry the bounty with them that the English Government would countervail against them. Very likely they would; but they are not doing it at present.

Mr. McCLEARY. If this bill should pass, do you hold that the Philippine sugar could still go into Hongkong without being subject to this—

Mr. WILLETT. What bill do you refer to?

Mr. McCLEARY. The bill now pending.

Mr. WILLETT. It depends on the rate. I will explain that right here. A reduction in the present Philippine tariff to 50 per cent of the Dingley bill would mean an indirect bounty to the Philippines of about 65 cents per 100 pounds, or 18 cents in excess of the permissible surtax. The permanent commission, in their discretion, might not consider this moderate excess of indirect bounties, having overlooked a similar excess of surtax, but should the duty on the Philippine sugars be reduced to 25 per cent of the Dingley law, giving the Philippines an indirect bounty of 97.1 cents per 100 pounds, which is 48.1 cents per 100 pounds in excess of the 49-cent surtax, there is a positive certainty that the permanent commission would assess against this a countervailing duty of Philippine Island sugars, thus shutting them out from European markets.

Mr. McCLEARY. How about the Japanese and Chinese markets?

Mr. WILLETT. They are not within the convention.

Mr. CURTIS. Would Hongkong be?

Mr. WILLETT. No; unless they produce sugars. You mean whether sugars can be sent into Hongkong.

Mr. CURTIS. Yes; from the Philippine Islands.

Mr. WILLETT. They can be up to this date, unless the commission makes a new decision.

Mr. WILLIAM ALDEN SMITH. And without any countervailing duty?

Mr. WILLETT. Yes, they can. I have given you the names of the countries they can go into.

Mr. DALZELL. If the tariff on Philippine sugars were reduced to 45 per cent of the Dingley rate, the Philippine sugar could still come into Hongkong and China and Japan and the United States?

Mr. WILLETT. Yes; as the convention now stands. It does not follow that they might not take up the question later. This committee, as I said, is a permanent committee, and their duties are to watch.

Mr. DALZELL. How did that convention originate?

Mr. WILLETT. Here is the correspondence relating to the Brussels conference. It is a long story, but in a few words it originated—

Mr. WILLIAM ALDEN SMITH. It originated to offset the bounties and cartels of those sugar-producing States in Europe.

Mr. WILLETT. Yes; that was the object.

Mr. DALZELL. It originated, then, by correspondence between the parties affected?

Mr. WILLETT. Yes; it was started by correspondence, and the powers got together in Brussels and agreed on this.

Mr. McCLEARY. What is the date of that?

Mr. WILLETT. It was signed March 5, 1902, and went into operation September 1, 1903.

Mr. WILLIAM ALDEN SMITH. If it does not interrupt you, I would like to ask you a question. The effect of that countervailing duty has been to decrease the bounty-fed product of Germany and France, has it not?

Mr. WILLETT. It has the effect of doing away entirely with the bounties of this country.

Mr. WILLIAM ALDEN SMITH. The cartel?

Mr. WILLETT. The cartel was a bounty. It did away with the cartel, it did away with the bounty. While those countries had a

bounty the United States countervailed against those countries. To-day there is no countervailing.

To explain the surtax a little more definitely, perhaps, I should say that the 50 cents surtax allowed by these countries to their refiners on their domestic product as against sugars imported into the country is what we in this country call protection—50 cents a hundred pounds protection for them. We give our refiner, for instance, 13.6 cents protection, the difference between what he has to pay for raw sugar and the duty on refined sugar; 43 cents a hundred our refiners have, and the German and Austrian has 50 cents. It happens at the present moment that Mr. Leake, the great German expert, has within three days increased his estimate of the European beet sugar 175,000 tons, making a beet crop of this year 6,875,000 tons, which is 100,000 tons larger than any previous crop.

Mr. WILLIAM ALDEN SMITH. That does not include the United States?

Mr. WILLETT. That is the European beet crop alone; yes.

The CHAIRMAN. The duty on sugar imported into the Philippine Islands is \$1.62 per 100 kilograms, is it not?

Mr. WILLETT. Yes.

The CHAIRMAN. And the export duty is 5 cents on 100 kilograms?

Mr. WILLETT. Yes; equal to 2 cents per 100 pounds.

The CHAIRMAN. The difference in favor of the Philippine Island sugar, then, is \$1.57 per 100 kilograms?

Mr. WILLETT. A difference of 71 cents.

The CHAIRMAN. The countervailing duty on Philippine sugar was imposed by the Brussels conference in the first place?

Mr. WILLETT. Yes, sir.

The CHAIRMAN. And had no relation to the action of the United States in giving us 25 per cent of the duty?

Mr. WILLETT. Yes; and will not have any until the United States infringes their convention—

The CHAIRMAN. And that was immediately suppressed; it was not enforced.

Mr. WILLETT. It was not enforced; no sugars went there, and no sugars attempted to go there.

The CHAIRMAN. I want to say right here, and put it in the record with your remarks, that here is a cable from Wilson, who is chargé d'affaires of the United States in Brussels, October 31, 1905, to the Secretary of State:

Permanent sugar commission sitting at Brussels suppressed compensating duty on sugars imported from Philippine Islands until new examination of Philippine regulations is made in conjunction with the legislation of the United States of America, Cuba, and Porto Rico. Question believed to be definitely settled as regards Philippine sugar.

Mr. WILLETT. That is the exact position.

The CHAIRMAN. That is signed "Wilson."

Mr. WILLETT. They are waiting to see what this committee does.

The CHAIRMAN. I am not permitted to state the source of the information, but it was on a high authority in Brussels that that information was obtained. So this conference regards the question as to Philippine sugar and the concessions made and the tariff on that sugar coming to the United States as on the same plane as the

concessions made by the United States in giving free sugar to the Porto Ricans?

Mr. WILLETT. Exactly. Porto Rico could not ship sugars into any of these countries.

The CHAIRMAN. What is that?

Mr. WILLETT. Porto Rico could not export sugar into any of these countries.

The CHAIRMAN. Because they have failed to charge any countervailing duty on the sugar from the island of Porto Rico by any principles of this convention, although that free trade has been in operation now for three or four years?

Mr. WILLETT. Yes. Many countries never put a law into action until the occasion is required for using it. If anyone should attempt to export Porto Rico sugars to either of these countries they would not be admitted, they would be turned back.

Mr. NEEDHAM. I understood from that cablegram that they are now investigating the subject.

Mr. WILLETT. No; they are waiting to see what we are doing.

Mr. NEEDHAM. It is not a final action, then, as I understand it.

Mr. WILLETT. Not at all; it is a waiting action to see what we do here.

Mr. NEEDHAM. They are considering our action not only with reference to the Philippines, but with reference to Hawaii and Porto Rico—all three?

Mr. WILLETT. This cablegram is especially in regard to the Philippines, I think. It relates to future action, and not past, as I understand it.

The CHAIRMAN. Oh, no; the cablegram refers to the past legislation in regard to Porto Rico, Cuba, and the Philippine Islands; that they are considering that question, and they have suppressed any countervailing duty; that the question is regarded as permanently settled, although they have left it for future action. They have suppressed it.

Mr. WILLETT. It seems to me it is decidedly open.

Mr. NEEDHAM. I do not see how you can reach that conclusion.

The CHAIRMAN. Porto Rico is past action, certainly.

Mr. WILLETT. Porto Rico sugars are free. There has been no action taken against their coming into those countries on the other side; no bounties assessed against them.

The CHAIRMAN. Well, the cablegram speaks for itself.

Mr. WILLETT. Yes; and will any of these beet sugar gentlemen say that they had any idea that they could export beet sugars against any of these countries, although no action has been taken against them? Could they export their beet sugars to any of these signatory countries even, although no action has been taken? The action does not take place until you try to infringe. Lots of sugars come into the United States to test. They go to the board of appraisers.

The CHAIRMAN. There must have been something or they would not have the question up.

Mr. WILLETT. The only question up has been relating to the Philippines.

The CHAIRMAN. They considered it and suppressed it; in fact, they

ordered it in the first place so far as the Philippine Islands are concerned.

Mr. NEEDHAM. Then the effect is, about which there can be no question, that this legislation would confine the Philippine market exclusively to the United States, Japan, and China practically?

Mr. WILLETT. Practically.

Mr. UNDERWOOD. It is confined there now, according to the testimony.

Mr. NEEDHAM. They would not have any opening then.

Mr. WILLETT. One-third as much went to the United Kingdom as came to the United States from the Philippines. Forty per cent reduction of the Dingley bill would be 50 cents, and you can reduce your tariff to 40 and have no trouble—

Mr. DALZELL. You refer to any other country shipping sugars into any one of these signatory powers?

Mr. WILLETT. Yes, sir.

Mr. DALZELL. But that has nothing to do with shipping sugars from the Philippines to Hongkong or Japan or China or the United States.

Mr. WALLETT. No.

Mr. NEEDHAM. It might also be, might it not, the denial eventually of the Hongkong market?

Mr. WILLETT. I don't think so. It is sometimes said that a few tons more of sugar, more or less, coming into the United States will not interfere with the domestic beet-sugar industry or any other industry. That has been said now for a great many years, and it is reaching a point at last where it can not be said very much longer, and for this reason: That the consumption of sugar in the United States to-day per annum is 2,767,000 tons. This year the crops of the Hawaiian Islands will give us 370,000 tons—they are long tons—or 420,000 short tons. Porto Rico will give us 210,000 tons this year. Right here please note the increase of production in the island of Porto Rico since the duty was taken off. The average crop of Porto Rico was 54,000 to 60,000 tons. The year following the taking off of the duty the crop was interfered with by a hurricane and was 35,000 tons. Note that in six years it has risen to 210,000 tons.

The CHAIRMAN. It appeared in the hearings, as I recollect it, that it had been 100,000 tons before the duty was agitated. I suppose your figures for the crops this year are merely estimates.

Mr. WILLETT. These are the latest estimates of crops harvested or being harvested.

The CHAIRMAN. Practically not harvested; yes.

Mr. WILLETT. Porto Rico, 210,000 tons. Domestic cane, 300,000 tons; that is harvested and known. Domestic beets, 265,000 tons; that is harvested and known. Hawaii, that is harvested and known. The only crop that is uncertain is Porto Rico. That last year was 185,000. So that there is only an uncertainty of 20,000 or 30,000. The total supply from those countries is 1,145,000 tons, to meet a consumption of 2,765,000 tons. The difference is 1,662,000 tons, which is the supply from other sources, of which Cuba is estimated to give 1,300,000 tons this year—

The CHAIRMAN. How much was that last year?

Mr. WILLETT. 1,063,000 tons last year.

Mr. CURTIS. The crop has not been harvested in the South, has it?

Mr. WILLETT. It is pretty nearly harvested now; it is through far enough to enable us to give the figures. I am giving you the figures which we get from our correspondents. Our man visited all the plantations in Porto Rico before he gave this estimate, and we have advices from Cuba every week showing the progress of their plantations, the same as we have from beet-sugar factories, showing their progress. Cuba, 1,300,000 tons. Now, please note that after Cuba, Hawaii, Porto Rico, and domestic sugars there is left 352,662 tons open for the concessions of duties. That is all that remains.

Mr. ROBERTSON. What proportion is that of the amount consumed?

Mr. WILLETT. Out of 2,667,000 tons, that is a little over 10 per cent.

The CHAIRMAN. Is your statement of consumption a statement of the actual consumption?

Mr. WILLETT. Yes.

The CHAIRMAN. Why do you not compare the actual consumption last year with the actual product? Do you not think that would be a fairer comparison? The consumption increases every year, does it not?

Mr. WILLETT. Not always.

The CHAIRMAN. Since 1898 it has increased every year.

Mr. WILLETT. Yes.

The CHAIRMAN. When there is a general slump, of course, there is no increase.

Mr. WILLETT. These figures are approximately correct. I merely call attention to them to say that we are gradually using up our countries to which we can make these concessions. For instance, a few years ago we imported several hundred thousand tons of beet sugar into the United States. Beet sugar is now entirely out of the question, and we only imported 5,000 last year into four ports, and 20,000 into New Orleans, which they did not want. That is virtually out. When that 352,000 tons is made up, and plus, as the chairman suggests, in increased consumption from year to year, as it will undoubtedly be made up by these countries right here mentioned long before the Philippines ever reach that amount, there will be no opening for the Philippine Islands sugars into the United States probably.

Mr. WILLIAM ALDEN SMITH. There would be no market?

Mr. WILLETT. There would be no market from the Philippine Islands to the United States, and some country would have to give away. The first country to give way would be Cuba, because it has to pay the largest duties. And, by the way, if the Dingley bill was reduced to 40 per cent in favor of the Philippines the Philippines would be having just double the benefit that Cuba gets. Cuba gets 20, and that would be giving the Philippines 40.

The CHAIRMAN. But you do not take everything into consideration; you do not take their crude methods into consideration, and the distance the Philippine Islands are away.

Mr. WILLETT. The distance is no greater, scarcely, between Cuba and New York than it is between the Philippines and San Francisco—thirteen or fourteen days. The Philippine Islands sugars would undoubtedly go to the Pacific coast, if they came into the country at all.

Mr. WILLIAM ALDEN SMITH. How much can we reduce the Dingley tariff on sugars without coming in contact with the countervailing duty?

Mr. WILLETT. Forty per cent.

Mr. WILLIAM ALDEN SMITH. And would that be helpful to the Filipino at his distance from this country?

Mr. WILLETT. I think it would. I think the Filipino's trouble is lack of labor. If he can supply the labor as it was ten or fifteen years ago, it will enable them to produce sugars as they did then, and then those sugars would come into the United States under any tariff arrangement we might have in competition with foreign sugars, sugars from other foreign countries. The closest competition would be with Cuba. If you grant them 20 per cent advantage over Cuba it seems to me it is all they require. I have a letter from a gentleman who is in the Philippines, a man who has been there twenty years working on the sugar plantations and hemp plantations. He does not say a word about the reduction of duties as being what they need over there. What he says is that they want laborers. The Filipino will not work. He can work, but he is not disposed to work. His suggestion is—which I do not agree with entirely—that we should admit coolie laborers to do the work that the Filipinos will not do.

Mr. WILLIAM ALDEN SMITH. You have given this a great deal of thought, and I would like to have your opinion on this: Suppose we give these Filipinos the maximum concession which will not bring them in conflict with the Brussels convention; would we help them more by doing that than to run counter to the Brussels convention and have the benefit offset by countervailing duties which will keep them out of the European market?

Mr. WILLETT. Most decidedly yes. That is all they require, in my judgment. As I say, when they reach a normal crop of 200,000 or 300,000.

I do not agree with the gentleman that preceded me at all, and if he is no more accurate in what I do not know about than in his statements that I do know about, then his testimony is not worth reading. He states the cost of Philippine sugar to-day is over 3 cents a pound—

The CHAIRMAN. Before that, if you will excuse me, how much did we actually import for consumption last year, excluding the importation from Cuba—I mean how much from foreign countries?

Mr. WILLETT. Last year the consumption of sugar was 2,767,162 tons. We imported—

The CHAIRMAN. I do not care for all the figures, but I want the total importation from other countries outside of Cuba.

Mr. CURTIS. We have it here. Here is the consumption of sugar—2,767,162 tons. Foreign product consumed, including Philippine sugar, and 1,151,145 tons of Cuban sugar, 1,798,381 tons. That includes the Cuban sugar.

Mr. WILLETT. I was on the point of stating a few facts as against something that the gentleman preceding me said.

Mr. CURTIS. Can you not come back here Monday morning?

Mr. WILLETT. Yes, sir.

Mr. CURTIS. Then I move that we adjourn until Monday morning.

The CHAIRMAN. Have you anything else to present?

Mr. WILLETT. Only about three minutes.

Looking at the beet-sugar men in Chicago, for instance, as against an increased production possibly from the Philippine Islands which

naturally should go to the Pacific coast, that are not by any means having a very good time at the present moment, the price of centrifugal was in New York a week past $3\frac{1}{2}$ for 96 test, and it has not advanced a little because it is between seasons. After the 1st of January it will go back to $3\frac{1}{2}$ cents again. That is $3\frac{1}{2}$ cents in New York, and that means $3\frac{1}{4}$ cents in San Francisco, that duty being taken off to cover freight to New York, because the amount imported from the Philippines and Hawaii is much greater than they can consume on the Pacific coast.

Mr. ROBERTSON. Is not that very cheap for sugar?

Mr. WILLETT. That is a fact.

Mr. ROBERTSON. When was it that price before, if you remember?

Mr. WILLETT. Two years ago, when the Cuban bill was up.

Mr. CURTIS. What does it cost those Hawaiian planters to get their sugar into New York and into San Francisco?

Mr. WILLETT. It depends on how they ship it; whether they ship it around by the Horn or by the Southern Railroad to New Orleans and then by steamer to New York. It costs about 27 cents a hundred, but the contracts allow them 25 cents.

Mr. CURTIS. Does not that make it about \$10 a ton?

Mr. WILLETT. No; it doesn't amount to that much. They get \$3.25 for their sugar and 65 cents for refining; that is, \$3.90 for turning it into granulated sugar. Freight from San Francisco is 50 cents. That makes \$4.40 for granulated sugar made out of cane sugar from the Hawaiian Islands, at the Missouri River. There is 10 cents reduction to be made in that to equalize its selling values with beet sugars. Consequently the values on that would be \$4.30 for beet sugars at the Missouri River from San Francisco. The freight from Colorado to the Missouri River is 25 cents; 25 from \$4.30 would leave the value of Colorado \$4.05, f. o. b. Colorado.

Manufacturers in some States, Michigan, for instance, and possibly Colorado, can not manufacture beet sugar at less than 4 cents a pound, and that basis means, instead of being \$5 to \$5.50 to the farmer, that they will have to come down to \$4 a ton, and that would mean that the farmer would refuse to raise beets, in my opinion, at \$4 a ton. He would raise something else in their place. That would be a blow, certainly, to the beet-sugar industry. If in addition to this we propose to bring in 100,000, 200,000, 300,000, or 400,000 tons from the Philippines it makes the situation so much the worse.

The gentleman before me said it would take fifteen years to increase the Philippine crop to 200,000 tons. Our estimates from the Philippine Islands are that they will make 120,000 tons this year, against 85,000 tons last year. Placing that against his statement it does not look just right, exactly. He said that the cost of sugar in the Philippines is 3 cents a pound, whereas the price here, according to him, was 2.14 cents per pound. He also said the price of Philippine sugar, 84 test, in New York, is \$2.56 per 100 pounds. If his other statements were no more accurate than those they would not seem to have very much value.

Mr. NEEDHAM. A short time ago you said even if this bill passed you did not think it was possible for the Philippines to lose the Hongkong market.

Mr. WILLETT. There is no indication that they will.

Mr. NEEDHAM. Did you answer that with a full realization that Hongkong is under England?

Mr. WILLETT. Yes; because India is under England, too, and there is that market open. They do not raise those questions until they are confronted with them. When the question comes up they meet it. They are now discussing the question with Brazil, and they have not decided whether Brazil pays a bounty or not.

The CHAIRMAN. Are Willett & Gray's circulars reliable?

Mr. WILLETT. I think they are.

The CHAIRMAN. If you compare those from year to year you will see that the Cuban price and the Hamburg price the year before the 20 per cent reduction and the year after bear about the same relation to each other.

Mr. WILLETT. Yes; exactly. Two years ago we were receiving 200,000 tons of sugar from Europe, and the price from there governs the price here. To-day we are receiving nothing from Europe. Beet sugar is virtually non est so far as the United States is concerned on raw sugars.

The CHAIRMAN. The committee will have the prices given by Willett & Gray's circulars before them before we get through.

Mr. WILLETT. And please consider the one published two or three weeks ago. That shows what I have stated—that they received 21 cents of the amount. In my judgment the consumer would receive the other 13. The United States has gained 13 cents a hundred pounds and the Cuban has gained 21 cents by means of that reciprocity treaty.

Thereupon (at 5.25 p. m.) the committee adjourned until Monday, December 18, 1905, at 10 o'clock a. m.

COMMITTEE ON WAYS AND MEANS,
Monday, December 18, 1905.

The committee met at 10 o'clock a. m., Hon. Sereno E. Payne in the chair.

Members present: Messrs. Dalzell, Hill, Boutell, Curtis, Needham, Smith, Williams, Robertson, Clark, and Underwood.

STATEMENT OF MR. DE LA RAMA—Continued.

(See also page 176.)

Mr. DE LA RAMA. I have here a letter from the manager of the Iloilo branch of the Tabacalera Company, of Manila.

[Translation of letter above referred to.]

Your favor of the 20th received, and I take pleasure in answering.

Convinced that whatever data I might send you regarding the production of sugar in Negros is perfectly known to yourself, I do not consider it necessary to indicate details of the cost of production nor figures with which to demonstrate the absolute necessity to secure from the American Government the suppression of the Dingley tariff.

Neither is it necessary to demonstrate the fact that while that tariff exists the Philippine production will be dependent on the Chinese market, and the damage occasioned to the Philippine production by the continuance of said tariff

is evident from all viewpoints and is of such importance that if continued in force can never increase the production of the islands in excess of the reduced necessities of the Chinese Empire.

The outlook for the coming crop could not be more disconsolate. The Chinese, confident that the American Government will refuse to concede the suppression of the Dingley tariff, already indicate that prices for the new crop will open at P3.75 to P4 per picul of assorted sugars. These prices, as you well know, will be the ruin of the planters, and which can only be avoided by obtaining the free entrance of our sugars in the United States.

The Japanese market must be considered as lost to the Philippine sugars owing to the exceedingly high duties on the higher grades, or Nos. 1, 2, and 3. Of the lower grades of sugar one shipment has been made this year with poor results, owing to the competition of the Formosan sugars, which enter Japan free of duty.

The prices in Europe give no hope of being able to place our sugars, as the last quotations are very low, as already indicated by the quotations offered by the Chinese for our coming crop.

My opinion concerning all the points covering the production of sugar in Negros I have already expressed in my answers to the questions of "Agricultural Association of Panay and Negros," which, under date of August 7, I remitted to the secretary of said society.

In the hope that your efforts will prove of great benefit to the interests of this region, I remain,

(Signed)

Mr. Willett stated Saturday that the sugar in New York of 84° was worth more than 2 cents a pound. I will now submit a report which I have of sugar, giving the price from October to December, 88°, at 8 shillings 8½ pence. This is equivalent to 2 cents gold per pound. So when I made the statement that sugar was worth in New York less than 2 cents it was perfectly substantiated by this. This statement here shows 88° sugar to be worth 2 cents. Hence 84° sugar must be worth a lower price.

Mr. DALZELL. What is the date of that report?

Mr. DE LA RAMA. It is dated September 21, 1905.

Mr. DALZELL. September 21?

Mr. DE LA RAMA. Yes, sir.

Mr. DALZELL. Those figures must be for 1904, are they not?

Mr. DE LA RAMA. These are the estimated prices for October to December of this year.

Mr. WILLIAM ALDEN SMITH. That is on the raw sugar?

Mr. DE LA RAMA. Yes, sir; raw sugar—88°. My statement to the effect that we could not have a crop exceeding 200,000 tons fifteen years hence has also been questioned. I wish to state that when I say anything before the committee here I take facts as a basis, and not fantastic estimates. The facts are that before we suffered the rinderpest we did not produce an average of more than 200,000 tons; so that if we only produced 200,000 tons before we had the rinderpest, and before we suffered all the calamities that we had fall upon us, and now we produce 100,000 tons, I estimate that it will require fifteen years at least to replenish our stock of cattle and attain the same figure that we had before we suffered these calamities. And 100,000 tons is not a very small matter for us there, as we use all primitive implements.

I have already stated that Louisiana, with its modern machinery, has required ten years to increase its production 100,000 tons. And I do not believe that it is an exaggeration to state that we would require fifteen years to replenish our stock of cattle and our other resources and attain that increase.

One of the members of this committee, speaking of my statement regarding the cost of labor, said that there was a discrepancy between the statement I made in Manila and the statement I had made before the committee here. After having carefully studied my statement made in Manila, and having compared it with that which I made here, I find that there is absolutely no discrepancy between the two. In Manila I stated that during the time of the Spanish Government we usually paid from 3 to 4 pesos per month, and then when I was asked the question what we paid now I said that we paid more than double what we had paid during the Spanish régime.

Now, our labor costs us, or rather we pay, 10 pesos per month. That is twice, or two and a half times, as much as we formerly paid. This equivalent is \$5 gold per month. Now, if we consider that each month has an average of four Sundays, without considering the feast days, we would get about twenty-five working days per month; so that if you consider the month as having twenty-five days and the wage as \$5, my calculation is correct; just 20 cents gold a day.

The CHAIRMAN. Who boards the man; does he board himself, or does his employer board him, at that rate?

Mr. DE LA RAMA. The employer boards the man. It has also been stated that sugar could not be refined in the Philippines. This is a statement which shows the absolute ignorance which prevails regarding conditions in the archipelago. Before the war there was a refinery in Malabon, which supplied all the refined sugar which was consumed in the Philippines. This refined sugar was as good as the refined sugar of any part of the world. The war caused this refining to cease, but now it has been resumed.

Before closing I wish to inform the committee of the last recommendation which I received before leaving the islands from our people. I was asked to say to the lawmakers in the national capital that it may be possible that we may be mistaken in some statements which we make, and that it might be possible for us to invade the market in the United States; but it may also be that we may have some reason for not doing so, and it may also be possible that the opponents of this bill may make statements which may be correct or not. This, nevertheless, is a very important matter. It is a question on one side of the prosperity and the felicity of a country under the American flag, while on the other side of the ruin and continual misery of the same country. We believe that the matter is of sufficient importance, so that an effort should be made by practice to show who is in the right. If, after some length of time of practice or practical application, it should be found that we have been mistaken, and that we really can only prejudice instead of benefiting this country, we ask ourselves in such case, Is there any power which could prevent Congress from reestablishing the tariff? Then, in such case, we would not oppose the measure, because, although we are a barbarous people, we have sufficient intelligence to understand that charity begins at home.

Mr. WILLIAM ALDEN SMITH. To what do you attribute the increased wages of the Filipino?

Mr. DE LA RAMA. I attribute it to the fact that all articles of prime necessity have risen in cost price.

Mr. WILLIAM ALDEN SMITH. Is it in any degree owing to American occupation?

Mr. DE LA RAMA. Partly so.

Mr. WILLIAM ALDEN SMITH. Then to that extent American occupation has improved the condition of the working people?

Mr. DE LA RAMA. I do not think so, because while the cost of labor has increased the cost of commodities has also increased.

Mr. WILLIAM ALDEN SMITH. So that they are practically in the same situation that they were in before the American Government went there?

Mr. DE LA RAMA. It may be said that the condition is worse than it was, because if the condition of the planters and their plantations is worse, then necessarily the condition of the laborers must be worse.

Mr. WILLIAM ALDEN SMITH. Mr. Chairman, this is the first Filipino I ever saw, and I would like to ask him how old he is. I am a little curious to know.

Mr. DE LA RAMA. Thirty-six years old.

Mr. WILLIAM ALDEN SMITH. What is your business?

Mr. DE LA RAMA. Planter and merchant.

Mr. WILLIAM ALDEN SMITH. Where were you educated?

Mr. DE LA RAMA. In Paris, France.

Mr. WILLIAM ALDEN SMITH. In Paris?

Mr. DE LA RAMA. Yes, sir.

Mr. HILL. You speak French, do you?

Mr. DE LA RAMA. Yes, sir.

Mr. HILL. And Spanish and English, of course.

Mr. WILLIAM ALDEN SMITH. I think that is all.

Mr. DE LA RAMA. I thank you, gentlemen.

STATEMENT OF MR. W. C. WELBORN, CHIEF OF THE BUREAU OF AGRICULTURE, PHILIPPINE ISLANDS..

(See also pages 257 and 273.)

Mr. WELBORN. Mr. Chairman and gentlemen of the Ways and Means Committee, I am glad to have the opportunity of coming before you. I have been seriously discussed and "cussed" and disputed, and my statements picked to pieces and made patchwork of again. Before proceeding in a regular way I would like to call attention to one or two little things. I want to call attention to Mr. Hathaway's quotation from Señor Luzuriaga in the Philippine census. Señor Luzuriaga says in that census that most of the cane planted in the Philippine Islands is on high, dry land. But he says that on "alluvial land, some of which occurs in the island of Negros," they need not replant oftener than once every five, seven, or even ten years.

Now, Mr. Hathaway has done this sort of thing a dozen times in quoting from me and from others. Not only is part of Mr. Luzuriaga's paragraph left out, but where Luzuriaga says *some* of which (land) is found in Negros, Mr. Hathaway leaves out the qualifying word *some*, making Hathaway's garbled quotation of Luzuriaga appear that Luzuriaga said all the land of Negros is alluvial and need not be planted often, etc., so that he, in effect if not from intention, really misquotes Mr. Luzuriaga, and by quoting a half truth he tells something that is not true at all, as to what Mr. Luzuriaga said. I repeat that there are a dozen places where he has done that very sort of patchwork business.

Here is another piece of patchwork that he makes on one of my statements. I am going to read now from Mr. Hathaway's evidence

given before this committee the other day. Here he puts two statements of mine, made at Manila, together. He takes two parts of a sentence, far removed from each other, and puts them together in one sentence, as if I had made that statement, and then he does not use my words after all. He says, "Let us clinch this matter;" and he purports to quote from me. He makes me say:

Are these the pygmies that the beet-sugar people in the United States are afraid of when they have in the United States one man to every 40 or 80 acres?

I made no such statement in that connection. At Manila I was quoting from the Philippine census, giving information for 1902, and I brought out the fact there that the average farm in the United States is 146 acres; that the average farmer and farm laborer in the United States cultivates 40 acres, and the average laborer in the Philippines cultivates 2.56 acres of land; and that statement has no connection whatever with whether a man in the United States cultivates 40 acres of sugar beets or not. I knew that he could not cultivate 40 acres of celery and supposed he could not cultivate that much sugar beets. I simply made the statement that the farm laborer averaged that much cultivation in all products in the Philippines and so much in the United States. Mr. Hathaway has taken two of my sentences, far removed from each other, and given an entirely false impression. I know that he did not mean it, but it amounts to a falsehood. That is all there is to it.

Mr. Humphrey has really offended worse in this particular than has Mr. Hathaway. He has done this same thing time and again. His testimony begins on page 74 of your printed testimony. The first criticism that I will make on Mr. Humphrey's statement is in regard to page 75. He purports to prove that the Philippine Islands are increasing rapidly in sugar production by taking the figures of the last two years' exports. The last year showed a larger export than the year before, which was very small. Now, the truth is that, as I happen to know, the last crop was shorter than the one before the last, but the prices were very low for 1903-4 season and the people held over much of their sugar, so that they exported only 80,000 tons from the Philippines, or about that, in the 1903-4 season. They held that sugar until 1904-5, and then they exported about 125,000 tons. There is nothing more to it than that.

You will notice that Mr. Willett gave you here the yield of 1903 as greater than that of 1904, and I know that to be a fact. The two years equalized a little bit and averaged about the same as the 1902-3 season. There is really nothing to that matter of showing that the exports to this country are increasing so rapidly. Prices were higher on this side of the water last year than they were on the other side, or rather prices were so high that the poor Chinese people who consume our low grade of sugar could not buy it. That thing happens almost every other year in regard to cotton goods. When cotton goes too high, the Chinaman will go naked almost. They could not buy this sugar and consume it, and hence those who held it sent that sugar over here to find a market for it. That is all there is to that. That is perfectly reasonable and absolutely true.

Now, I am quoted here as saying that labor at Murcia, one of the government farms, is abundant and cheap and that it is good, well treated, and well paid. I am here to stand by that statement to-day.

It is good, and it is cheap. That labor is good so far as its strength and training go. That same report goes on to say that this labor was paid over 30 cents United States currency at that time per day. I never made any statement in conflict with that; and if it is true, as Mr. Hathaway's authorities in the Philippines seem to think, that it takes two and a half of the Filipinos to equal one American, then we have got labor there away above my eastern Mississippi cost on the cotton, corn, and hay plantations. I was paying when I left there, on my plantation, 60 cents a day gold. We were raising corn then, and it is a wonder that the Iowa people had not come up and said, "We want a duty against Mississippi corn or a bounty on Iowa corn, because we can not compete with their 60-cent labor." There is not so much difference as there appears to be between cheap and high-priced labor. Labor comes pretty near earning what it is paid.

Mr. CLARK. When you say 60 cents, does that mean 60 cents and board or without board?

Mr. WELBORN. Sixty cents, and the negro boards himself, universally, in eastern Mississippi. It is not so in western Mississippi.

The CHAIRMAN. Corn grows in the Philippines readily?

Mr. WELBORN. It grows readily and well and quickly, but it does not make big crops. I have seldom seen crops of above 15 bushels to the acre.

Mr. HILL. Is it not necessary to get Temperate Zone seed to continue that? Does it not deteriorate if the island seed is used over and over again?

Mr. WELBORN. I would not say that as a matter of knowledge. People generally say that, but I do not know it to be a fact.

Mr. HILL. We were told so.

Mr. WELBORN. Yes; but I do not know that there is such a rapid deterioration as you speak of.

Mr. CLARK. In connection with that, if you take the Mississippi corn and plant it over and over, does it peter out or does it continue good?

Mr. WELBORN. No, sir; I believe that it continues good. I would not say. I think there has been a misapprehension about that. We have not got to renew our seed often, as we used to think, in that State. As a matter of fact, the cotton planters of the Mississippi Delta have come to the conclusion that the corn grown about New Madrid, Mo., is about the best they could get.

Mr. CURTIS. Mr. Clark thinks so. We would pick out Kansas corn. You have not tried Kansas corn?

Mr. WELBORN. No, sir; we have not gotten that far west as yet.

The CHAIRMAN. Do not go too far into the corn question.

Mr. WELBORN. I will show you a little distortion of facts and figures that amounts to something false—but I know he did not mean it—on page 76 of Mr. Humphrey's statement, where he quotes from page 57 of the 1904 Agricultural Bureau Report of the Philippines, where he quotes me as saying:

All workers on haciendas receive both board and salary. The board usually costs the haciendero 1 peso a week per man. The salary of the capataz is 45 pesos per month, that of the cabo 22 pesos, the mill hands 8 pesos, and the field hands 6 pesos per month.

The capataz gets 45 pesos. Then comes the cabo. He is the foreman over about 10 men. Then come the mill hands and the field

hands. All of them get four and a quarter pesos per month for board, as he says here, a dollar a week. Now, Mr. Humphrey figures that out to mean that they are getting 11 cents a day. You take the lowest man there—that is, the field hand—and count the board in, and you can not get it below 20 cents gold a day. Just verify those figures, if you will. Then, if you take into your average these \$45 men and the cabos, who are over 10 men each, you can not make it below 25 cents gold a day. Now, you see that that statement there is rather higher than the other statement in the same report, which says 16 cents a day. I do not claim that those rates are uniform. There is no understanding in that country about what rates shall be. But I will tell you another thing, that as little Spanish as I speak, and as little Spanish as Mr. Heil speaks, and as little Spanish as the natives speak, we are under great difficulties in getting accurate and certain information; and not only that, but we are under the same danger of getting into a whole nest of poths and sirens that Mr. Hathaway and Mr. Gove suffered from. So that you will see this statement is absolutely wrong, and there is a whole lot of others of the same sort.

Mr. WILLIAM ALDEN SMITH. You are reading from page 76?

Mr. WELBORN. Yes, sir.

Mr. WILLIAM ALDEN SMITH. Which pretends to be a quotation from your report?

Mr. WELBORN. It is from my report, or, rather, it is from one of the subreports embodied in my report.

Mr. WILLIAM ALDEN SMITH. I wanted to know whether Mr. Humphrey had misstated it.

Mr. WELBORN. Now, in the next paragraph he says that that amounts to 11 cents a day, whereas it amounts to a good deal over twice that much.

Here is another statement. In that report I said that it was variously estimated that the people were losing from 50 to 55 per cent of the cane juice in the mills. At a later time, in Manila in last August, I made the rather more positive statement that they are losing 40 per cent of the cane juice in the mills. I did not explain it at that time, but I had had occasion to go to the mills to make tests, and I found that that 50 to 55 per cent loss of the mills seemed to be a mistake, and I made it more positive at 40 per cent.

Now, these people come in and say, if the Filipino is losing half of his cane juice in the mills, if you get good mills his production will double. Let me show you that conclusion is wrong. They ought to have sent a sugar chemist here, and he could have told you in a moment that that is not true. The fact is that that whole product—sugar, molasses, dirt, and everything—is all boiled down to a solid mass and is weighed in as sugar, and that is the reason that that 40 per cent is almost made up in the dirt and molasses, and if we had good mills grinding the cane we would not make substantially more tonnage than we make now, but we would get a better value for it. Really, instead of getting 100,000 short tons of sugar a year, so far as value goes, we do not get over the value of 60,000 or 70,000 tons of good sugar a year. So you see there is no contradiction in my statement that they seemed to be losing half the value of their cane.

The CHAIRMAN. Is it not true that the best mills do not get all the sugar out of the cane, as shown by chemical analysis?

Mr. WELBORN. That is a fact, that the best mills in the world do not recover more than about 88 or 89 per cent of the total sugar in the cane.

Now, from the 1904 report is quoted here an estimate of Mr. Heil and Mr. Harry Anthony that they had planted 40 acres of cane and were going to make 5,000 piculs of sugar. You must remember that Mr. Heil and Mr. Anthony were new there at that time. So was I. We were all subjected to those poets and sirens, and they sang to all of us. So that in the light of the report of 1905 that statement was ridiculous. The truth is that Mr. Heil on 150 acres of cane the next year made 2,700 piculs of sugar, and made a little more than the census average of 1902.

Let me tell you another thing. These people put up my statements made in the summer of 1904, and they want to make them coincide exactly with every statement I made in the summer of 1905. Now, I want to say to you that two or three things might happen in that length of time. A man might become a very big liar or conditions might change a great deal in that time.

Mr. HILL. You just said that from 150 acres of cane Mr. Heil made 2,700 piculs of sugar?

Mr. WELBORN. Yes, sir. That comes out in his testimony further. That is an actual fact. I could not afford to misstate the facts that are on the books of the auditor in Manila. I could not afford to do it, and I would not do it if I could afford to.

Let me say to you another thing. According to Mr. Heil's last report there—and they are careful to bring that out—sugar was the principal business there, and everything else on the place was made to help to raise that. I asked him particularly if that was so, and if so, what was the cost, and he said 3 cents gold a pound as a final conclusion. As a matter of fact we never tried to make that an experiment station. We do not call it an experiment station, and we do not accurately measure or weigh anything there. It is simply meant to open up that big farm there and get it in better shape and put that modern sugar mill there and show those people something pretty. That has been my ambition, and we have not tried to run an experiment station in any sense of the word.

On page 77 Mr. Heil goes on to say, in 1904, that the people had told him that he would not have to replant that cane in five or six years. Now, it looks to me very much like some of those poets got in again. At any rate, he did not have that experience and did not know that to be a fact. That was simply a forecast of what he thought he would be able to do. That is all there is to that.

Mr. WILLIAM ALDEN SMITH. Whom were you speaking of there?

Mr. WELBORN. I was speaking of what Mr. Humphrey quoted from Mr. Heil's subreport, embodied in my report of 1904.

Mr. WILLIAM ALDEN SMITH. Your criticism was of Mr. Heil's statement?

Mr. WELBORN. I do not know that I made any criticism, except to tell the truth.

Mr. WILLIAM ALDEN SMITH. Excuse me. I did not understand you.

Mr. WILLIAMS. Mr. Humphrey quoted it as though it was an absolute statement, whereas it was simply an estimate or a forecast.

Mr. WELBORN. Yes.

Mr. UNDERWOOD. What is the truth about the ratoons? Is it customary for that land to produce a number of ratoons?

Mr. WELBORN. It is not customary. It may be that I did not give the whole facts, because some of those alluvial lands do make several ratoon crops, it seems from later testimony. Mr. De la Rama, who is that gentleman at La Granja that you quoted from?

Mr. DE LA RAMA. Rodriguez.

Mr. WELBORN. Yes; Rodriguez. Now, it seems from his testimony that he does sometimes grow two ratoon crops.

But let me tell you that Mr. Hathaway has got all his distances and areas in the Philippines vastly exaggerated. For instance, the distance from La Granja to the seacoast he has gotten very much exaggerated.

Mr. HATHAWAY. I rode over it, and I think I know about how far it is.

Mr. WELBORN. I have ridden over it a dozen times, and it has been accurately measured. It is $10\frac{1}{2}$ miles to San Enrique and $8\frac{1}{2}$ miles from the coast. That is exactly the distance to the coast. You have got all your distances wonderfully exaggerated, and thus make out the sugar belt twice as large as it is.

The CHAIRMAN. Please address the committee, instead of Mr. Hathaway, Mr. Welborn.

Mr. UNDERWOOD. On the question of ratoon crops, you have had experience in handling crops on the government experiment station, for the government. I want you to tell us, if you can, what is your estimate of the ratoon crops there.

Mr. WELBORN. I will tell you the whole truth about the ratoon crops. They do not make ratoon crops to any extent, hardly, in the Philippines.

Mr. UNDERWOOD. How much experience have you had there?

Mr. WELBORN. I have not been there long enough to have had much experience. We are taking off a ratoon crop about now, but that is the first one that I have had time to experience.

Mr. CLARK. But what is the whole truth about that now?

Mr. WELBORN. So far as every cane country goes, at least so far as I know, with the exception of Cuba, the more ratoon crops they grow the less yield they get. After they pass one or, at most, two ratoon crops it ceases to be profitable to grow ratoons. That is the real truth about it; and I never have given it as my opinion just why the people in the Philippines do not grow ratoon crops. I tried to lead Colonel Hill up to ask me why at Manila, but he thought that I was after something else and cut me off and would not allow me to do it. The main reason is, as I have stated, if they should grow more ratoon crops than that, with their poor, slow methods and no fertilizing, their yields would go too low to be profitable. Actually, the sugar country of the world that grows most sugar to the acre, next to Hawaii, plants every year.

Mr. WILLIAM ALDEN SMITH. That is the Hawaiian Islands?

Mr. WELBORN. No, sir; Java.

Mr. WILLIAM ALDEN SMITH. The Hawaiian Islands grow no ratoon crops?

Mr. WELBORN. Yes, sir; they do; what they call short ratoons—first ratoon—and very often second ratoons. But every time the

yield decreases, and soon they get to where it is not profitable to grow ratoons. Whether we can grow ratoons in the Philippines or not, it does not cut any figure in the case. It would probably be more profitable not to do it so far as that part of it goes.

Mr. WILLIAM ALDEN SMITH. Because it exhausts the land?

Mr. WELBORN. Yes, sir; because it exhausts the land. Now, let me tell you another thing about the land in the Philippines and all tropical lands. We get very exaggerated ideas about the fertility of the tropical lands. Land that has from 100 to 125 inches of rainfall a year can not be very fertile land and remain so. It will wear out. The dry lands of the world when watered are the richest lands, because they have not been leached out through all the past ages by constant rainfall.

The CHAIRMAN. To what extent do they have an intervening crop—one year sugar and the next something else—on those lands?

Mr. WELBORN. Let me say another thing to you about that strip of land in Occidental Negros spoken of by Mr. Hathaway—that mysterious coastal plain. He did not stay long enough there to know anything about it. There is no real coastal plain there. The mountains come down right to the seacoast for a distance of several miles in that range of coast, and in fact a great deal of that land along the coast between the coast and the mountains is rich land, where they are raising rice, and it is only now and then that the mountains will come down just far enough to make a little strip, and there is no definite coastal plain about it. Excuse me, Mr. Chairman, for not answering your question immediately. I will answer your question now. In the province of Pampanga and throughout Luzon, so far as I could learn, they do not grow a ratoon crop, but the land is so poor that they do not grow but one sugar crop at a time, and then they plant a crop of corn or camotes or let it lie fallow and put it back in cane again the next year, and they get only one crop every two years. That is the truth about Luzon. That is also true of the older, poorer lands in Negros, without reference to this imaginary coastal plain, which does not exist as anything distinct and well marked.

Mr. CLARK. There is nothing in the nature of that soil over there that prevents it from being fertilized profitably, is there?

Mr. WELBORN. Nothing that I know of. I will give you my opinion somewhat as an expert agriculturalist on this. I do not imagine that you can use as much fertilizer as Hawaii uses on any soil profitably where they have very heavy rainfalls. The fact is that you would lose the fertilizer, and the wind would tangle up your large cane and greatly injure your crop. The amount of fertilizer that they use now on the dry side of Hawaii is something new in cane culture.

Mr. CLARK. It is because the land is dry that they can use that?

Mr. WELBORN. Yes, sir. The land is dry, and the wind does not tangle the cane up. They give just the right amount of irrigation, and they can afford to fertilize and grow better crops, and they make more sugar on the dry side of Hawaii than anywhere else in the world. The wet side of Hawaii makes about $2\frac{1}{2}$ tons per acre. That looks like 6 to 8 tons in the Philippines, does it not?

The CHAIRMAN. They claim that in Hawaii they produce from 8 to 10 tons on the average.

Mr. WELBORN. Well, on the dry side they produce something like that, but not on an average.

The CHAIRMAN. They say they even produce as high as 12 tons.

Mr. WELBORN. They have averaged as high as $10\frac{1}{2}$ tons on just one plantation. That is only one plantation, mind you; the average of the whole dry side of Hawaii is about 6 tons.

General WRIGHT. The wet side averages about $2\frac{1}{2}$ tons.

Mr. WELBORN. Mr. Humphrey quotes from my report of 1904:

Since the last report the bureau has received 8 Australian mares, 33 native pony mares, 40 mares from Kentucky, 13 stallions, 10 jacks, 5 head of Jersey cattle from the United States, 4 Berkshire hogs, and representatives of 3 breeds of American chickens, besides 10 Australian work horses.

Thus far no epidemic disease, generally so prevalent and fatal here, has attacked these animals.

That was written in the summer of 1904. I rather regret to have to say it here, but I do say it in my reports and I am not afraid to say it, and it is true, and is no criticism, at any rate, of ours, that we have had three epidemics of surra, and have lost 60 horses since that time. At another place, where we had these 40 Kentucky mares, we had lost nearly half of them when I left the Philippines.

The CHAIRMAN. From surra, or what?

Mr. WELBORN. Surra.

The CHAIRMAN. That same disease affects the mules?

Mr. WELBORN. Yes, sir. Horses and mules and burros.

The CHAIRMAN. As stated by Commissioner Worcester.

Mr. WELBORN. Yes. Then he quotes further from my report as follows:

It is found that horses and mules can stand the work here fully as well as in the Southern States—

I will stand by that statement according to the light before me in 1904. It is not as hot, and never does get as hot there as in Mississippi.

Mr. CLARK. How long have you been there?

Mr. WELBORN. Two and a half years.

Mr. CLARK. When you made your first statement you had been there that long?

Mr. WELBORN. No, sir; I had been there about a year when I made the first report.

The CHAIRMAN. When was this importation made?

Mr. WELBORN. These importations were made at different times, but we had them at the time that report was written, in the summer of 1904. Some of them we had not had long, and some of them we had had a longer time.

Mr. HILL. Then the conclusion which Mr. Humphrey draws on page 78, that you have now succeeded in conquering the difficulty that the animals were at first subject to from these diseases in the islands and have found a way to thoroughly overcome it, in the light of the last year's experience, is not correct now, is it?

Mr. WELBORN. There is the statement that I wanted to get to a while ago. Any statement that I may have made, reading that way, has been misapplied. I never made any such statement about horses and mules, but he lets it follow this other matter about horses and mules just as though I had applied it to horses and mules. This was another statement entirely in another connection and was made about

cattle entirely, if made at all. There is where his misquotation comes in. I have never said, nor has anybody else ever said, that they had found a remedy for surra.

Mr. HILL. Is that the fact, from your additional year's experience, that you have not succeeded in conquering that difficulty?

Mr. WELBORN. That was never my experience, that of conquering the disease. That work was done in a different bureau. Whatever I said about conquering disease was about rinderpest of cattle. I have that work now as a recent thing. The other bureau did claim there was a discovery to prevent the rinderpest in cattle, and I did believe that, and I may have quoted it. I do not believe I ever quoted it to the extent of saying so positively. I believe Mr. Humphrey has entirely misquoted me in effect.

Mr. WILLIAM ALDEN SMITH. You meant what you said there, where you are quoted as saying that it is found that horses and mules can stand the work there fully as well as in the Southern States?

Mr. WELBORN. Yes, sir; I repeated that. It is never as hot there as it gets in the Southern States for a while, but I did not say that they were as free from liability to disease.

Mr. WILLIAMS. You mean they can stand the conditions in the Philippines as well, or stand the Philippine climate as well?

Mr. WELBORN. If these diseases get among them, of course they do not stand it. Perhaps I should have made myself a little clearer. Perhaps I should have said, "If the disease does not get them—if the surra does not get them—they stand the work as well as in the Southern States." I did not qualify that statement, but it is easy to infer the meaning.

Mr. WILLIAM ALDEN SMITH. They are liable to have the glanders in Mississippi, are they not?

Mr. WELBORN. Yes, sir; but the surra cleaned out these horses at Murcia.

The CHAIRMAN. The rinderpest carried off the carabao?

Mr. WELBORN. Yes, sir; and the cattle.

The CHAIRMAN. Is not there a dispute among the scientific people as to whether there has been discovered any remedy, so that many people refuse to have them treated?

Mr. WELBORN. I know there is a good deal of difference of opinion. But, anyway, if Mr. Humphrey had taken a little trouble to find out the developments, he need not have quoted this. When Secretary Worcester's report was written a little later those cattle were nearly all dead. I do not see how that bears on the cultivation of sugar, but if he had taken the trouble to get Mr. Worcester's report he would have found out that he was losing his thunder.

The CHAIRMAN. Did you not import oxen from China?

Mr. WELBORN. Yes, sir.

The CHAIRMAN. What was the result of that experiment?

Mr. WELBORN. Those cattle brought surra in there and spread it abroad, and it killed them all, and a good many more, too. The surra take horses and mules, and also carabao. The rinderpest never attacks horses and mules. They think they have a pretty good serum for the prevention of rinderpest, but the scientific world acknowledges no remedy against the surra.

Mr. CLARK. That is, it does not acknowledge that they have found any yet?

Mr. WELBORN. It acknowledges that they have found nothing yet; yes, sir.

Mr. CLARK. Have you gentlemen over there ever inquired into the history of the efforts of the Spaniards to take horses and mules to those islands; or did they ever try?

Mr. WELBORN. The Spaniards never tried to do anything, so far as I know, in the way of taking horses and mules there. They did not do any scientific work there, and while I could not speak of my own knowledge, I do not think they ever left any reference as to what they did.

Mr. CLARK. I should think they would just incidentally have taken a lot of horses over there, to ride. They are great hands to ride horses.

Mr. WELBORN. Yes, sir; they did, and it seems that the surra was introduced from Java, or some of those places. They have it there perpetually. I would not speak positively.

Mr. CLARK. Is it the sum and substance of your statement about horses and mules and carabaos, that you can not use anything over there successfully but carabaos?

Mr. WELBORN. I would not say that. Those animals are so slow and it takes so long to break land with them that if I went into the business over there I would certainly want to use something better. I can not say whether I would take the risk on horses. I don't know about that.

The CHAIRMAN. You made that experiment for the government over there when you did it?

Mr. WELBORN. Yes, sir; that is right.

Mr. DALZELL. Is this surra like the disease they have in Louisiana, the churbon?

Mr. WELBORN. It is a microbe disease and it gets into the blood and they can find it with the microscope, and whenever they find it under the microscope they shoot the animal.

Mr. DALZELL. It is a species of glanders, is it not?

Mr. WELBORN. I do not know about that of my own knowledge.

Mr. CLARK. There is no cure for glanders, is there?

Mr. WELBORN. No, sir; there is simply an indication when the animal has it, and the best thing would be, when you find it for certain, to shoot the animal.

Mr. WILLIAM ALDEN SMITH. From your present information, what animals would you use there?

Mr. WELBORN. From my present information I would rather try oxen, but they are subject to rinderpest, with a very good chance, I think, that we can save most of them by the serum inoculation—that is, the Chinese oxen. The people having this in hand have not been successful with American or Australian cattle, that is a fact. Another illustration of that is found in southern Europe, where some cattle can be immunized and others can not. Here is a little statement picked out somewhere in this report of mine and quoted by Mr. Humphrey on page 58:

These infected animals have now been cleaned out and 20 oxen have been sent there, which certainly can do as much work as 50 carabaos.

Now, from this you would infer that it was connected with these other quotations. As a matter of fact, it is related of another place,

in a different island, under different conditions and circumstances, and when he quotes me as saying that the infected animals have been cleaned out, what does that mean? It means and did mean to people who knew the facts there and to the man to whom I was writing that those animals had been shot because they had the surra.

Mr. WILLIAM ALDEN SMITH. Where does this appear in your former statement?

Mr. WELBORN. That is taken from page 27 of my report. You can see just the sort of little crazy-quilt business that has been done with my statements here, and that there is absolutely nothing of a contradictory character that I have ever said. That leads me to believe that I must have said something in Manila, and I am going to say something more before I get through.

Here is another little sentence about those dairy cows. I did not plow any dairy cows, and did not mean to plow any, and never discussed it in that connection, and these people have brought this dairy discussion into the business of sugar cultivation. He quotes me as saying that cows will cost only \$50 each delivered in Manila. He says if cows can be delivered for this, why do mules cost so much. As a matter of fact, some mules came on the same boat, and actually cost, delivered in Manila, \$275 each. That was with free transportation, too. Of course there had to be attendance and feed and veterinary service.

Mr. WILLIAMS. Is the mule that is used for cultivating cane in Louisiana the same character of mule, the same muscle, and the same price, as the mule that is used in cultivating cotton in Mississippi?

Mr. WELBORN. Only the best cotton mules are equal to the sugar mules.

Mr. WILLIAMS. It requires a larger mule, with better muscle, and he costs more?

Mr. WELBORN. Yes, sir; that is my opinion.

I am better acquainted with sugar cultivation than some of these people from Louisiana think that I am, too.

Here is another quotation, on page 80, to the effect that the rates on money advanced are very high. I have often made that statement. I have found it so, and I try to tell the truth; and that the Chinese buyers and others take advantage of the rise in prices when it comes, and they get out in the country and buy up the sugar as quick as they can, before the fellow over the country knows about the rise. That is all true. They charge a very high rate of interest for money. But a firm like Smith, Bell & Co., who have been in the islands a long time, told me that they could not afford to loan any money at all. That puts the business of loaning money into the hands of little scalpers that scalp off a plenty, I tell you. This is the very condition we are asking help to correct. We want to make the best grade of sugar that we can, and create a demand for it, and have better warehouses and better mills and better conditions in every way, so that the security will be better for those people who loan the money.

Mr. NEEDHAM. How about the statement that they can only get 1 cent a pound for their sugar at Iloilo?

Mr. WELBORN. One cent?

Mr. NEEDHAM. Yes, sir.

Mr. WELBORN. I do not think I ever made a statement that they do not get any more than that. The lower grades of sugar often do not bring more than that. I said in my Manila statement that it is my belief now that the prices have averaged for the last few years—that is, before this last year— $1\frac{1}{2}$ cents a pound.

Mr. WILLIAM ALDEN SMITH. The statement was that these loans were repaid in sugar at 1 cent a pound.

Mr. HILL. That was Mr. Hathaway's statement.

Mr. WELBORN. Yes, sir. I can not cover everything that has been said here. I am touching them in the high places.

Mr. HILL. That is an important fact. Have you any distinct means of knowing whether that is true?

Mr. WELBORN. Substantially these statements are true—that somebody is charging a very high rate of interest, and the people came so near being broken up that the larger firms do not loan at all now, and that puts it into the hands of the Chinese almost entirely.

Mr. CLARK. What is the rate of interest over there on good security? Suppose you wanted to loan \$5,000 for twelve months on good security—such security as you call good security here—how much would you get for it?

Mr. WELBORN. I have been told that on Manila real estate you can loan large amounts on good security at 12 per cent.

The CHAIRMAN. I want to put in a statement right there myself.

Mr. CLARK. Let us hear it.

The CHAIRMAN. I was told by a couple of bankers at Zamboanga that they loan their money to the growers of cocoanuts, so much for the fruit of a tree, which they said was worth 6 or 8 pesos a year, and they would generally loan from 1 to 2 pesos on the fruit of a tree, and they had an absolute assignment of it, and that the rate of interest was 3 per cent a month; and they said they never had lost a dollar of principal or interest. That was the rate they got—36 per cent a year. That was told me by the president and another officer of that bank.

Mr. CLARK. Can that sort of a contract be enforced?

The CHAIRMAN. They said that they never had lost a dollar. I do not know whether it can be enforced or not.

Mr. CLARK. Are there any usury laws there?

Mr. WELBORN. They have not any such law as yet, but they have it under consideration. Now, the cocoanut tree when it comes in bearing will last for a hundred years, and nobody can hardly kill a cocoanut tree, and a man knows that he has got good security. But one man will have a hundred trees and another will have 50 trees, and the loans are small, and you must sit around and watch them.

Mr. CLARK. If that is true, and it is good security, and a cocoanut tree will not die, how does it happen that those fellows can keep up those interests at 36 per cent a year, and all that sort of thing? Why does not somebody over here go over there and loan them all the money they want at a reasonable rate?

Mr. WELBORN. That is what puzzles me about the sugar—if they can make sugar at a cent a pound—why the whole world does not go over there and raise it.

MR. CLARK. We have the authority of the chairman of the committee to show that you could get 36 per cent interest on your money there.

THE CHAIRMAN. That was what was stated to me. Those men were both Americans who stated this.

MR. WELBORN. Perhaps it is like this: When I was a younger man than I am now and I saved a little bit of money out of a small salary, I did not have enough to loan to a white man or to a man of considerable means, and so I loaned to the colored people on rather doubtful security at a high rate of interest. One of them came to me one day and he said, "Boss, I hears you is helping the colored people a little these days, and I am thinking about getting married and need some clothes and a pair of licenses. You know Sally, as lives across the creek here, and as soon as Lawyer Magruder gets me dat divorce, I want to get married again, and I want you to help me a little." I said: "Yes, I am helping the colored people a little, with good security. What security have you got?" He says: "Well, the woman I am going to marry has got a cow, and I will give you security on that." I am afraid much of the security is like that cow.

MR. CLARK. The legislatures in the United States have been trying to break up these pawnbrokers. When I was in the legislature I helped to pass a law against them in Missouri. But it seems unreasonable, if that security is good, that the fellows over here don't go right over there and break up that rate of interest.

MR. WELBORN. That is what puzzles me, why men didn't go over there and make sugar, and loan money on sugar.

MR. DALZELL. You forgot the lack of constitutional guaranty.

MR. CLARK. I know the Constitution does not go over there until the Congress sends it.

THE CHAIRMAN. About the only constitutional guaranty that is lacking is trial by jury.

MR. WELBORN. Now, I will submit to you gentlemen if there is anything contradictory in these statements of mine that have been so variously quoted and misquoted. Is there anything wrong in any of them?

MR. WILLIAM ALDEN SMITH. Right on that point, this statement as to the rates for money, which Mr. Humphrey pretends to quote from your report on page 57, is admitted to be a correct statement, is it not?

MR. WELBORN. Why, yes, sir.

MR. WILLIAM ALDEN SMITH. And he did not misrepresent you at all in this report?

MR. WELBORN. So far as any statement like that goes. The rates of money are ridiculously high there on account of the great needs of the people and the great scarcity of money.

MR. WILLIAM ALDEN SMITH. The reason I call your attention to that is that Mr. Humphrey is not here.

MR. WELBORN. Yes, sir. He could not misquote me as to high rates of money, because I have known people that said they got 10 per cent a month.

MR. CLARK. Over there or here?

MR. WELBORN. In Negros. Now, I wish to repeat what I have already said, that the Philippine Islands, and their sugar industry in particular, are in a desperate plight, and a few more years of low

prices and poor methods, scarce money, and other misfortunes, will certainly almost wipe that industry out. So far as I can learn, the opposition now concedes that this is a fact, and they are willing to propose all sorts of expedients to help these people in another way. Those who visited the islands last summer know that these statements are not overdrawn. The opposition openly says that it is not afraid of the Filipino or anything he may do now or hereafter, but they are afraid of the American. They are dealing in futures on this proposition.

Mr. WILLIAM ALDEN SMITH. I suppose you mean by "the opposition" the domestic producers?

Mr. WELBORN. Yes; they are all here, I suppose. Then they have a vague fear that Chinese labor may figure in this proposition, and that Japanese labor may figure in it, and all that sort of thing. I will again state that about half of the land as cultivated in 1902, the total being 3,200,000 acres, was in rice, and most of the balance in cocoanuts, hemp, bananas, and other crops that have long life, like an orchard, and hence sugar could not encroach upon these. I have heard it stated that two-thirds of the population of the Philippine Islands will be found living within 3 miles of the seacoast. This is generally out of reach of sugar or tobacco plantations, or the possibility of farming these profitably without moving, and this the Filipino does not do to any considerable extent. It is shown by the census returns that the average Filipino farm is about one twenty-fourth as large as the average American farm, and that the average Filipino laborer works about one-sixteenth as much as the average American laborer; and this does not refer to the sugar industry alone, but to all industries. And I never said anything, here or elsewhere, that could be so construed to apply to the sugar industry on both sides of the water.

It was asserted that the Filipino does not readily sell his land, and since corporations are not permitted to own more than 2,500 acres it would be difficult to organize plantations or large central mills. Men on both sides of this question here to-day have had occasion to know this from experience within the last year. We—or I do, at least—believe that there is enough land in the Philippine Islands to grow a large amount of sugar, but I do not believe that it is all as good as the best, or that the great body of it is capable of becoming profitable sugar land under present or early prospective conditions. Land as measured by the surveyor is never the limit of production. Louisiana has 12,000,000 acres of alluvial land, half of it lying within the region now producing sugar. If all these 6,000,000 acres should ever be planted, according to present yields of Louisiana cane it would make 90 per cent as much sugar as the whole world now makes. I saw it stated in a New Orleans paper as I passed through that Texas has enough sugar land to produce the sugar crop of the world.

I expect it is a wonder to certain English spinners that Texas does not some year plant 20 per cent of her area in cotton and make 10,000,000 bales. Your sugar-beet areas in the West look about like flyspecks on a wall map, and yet you are persistently claiming that labor is scarce, which means that your industry must grow gradually with the increase of population and the improvement in methods.

The amount of land has never imposed a limit on production, so far as I know, but the quality and location of land often have. Do you know, gentlemen, how much land in Louisiana is under cultivation in all crops? Louisiana has been raising cotton and sugar and rice and corn and vegetables for a hundred years, and she has in cultivation 12 per cent of her entire area, and there is not a hill in the whole State of Louisiana, I believe, which is over 300 feet high. Sugar could be grown on every solitary acre of the State of Louisiana, but, mind you, not profitably. Sugar could be grown on every acre of every Gulf State east of Louisiana, but not profitably by a good deal. The great and wealthy State of Texas has been advertised ever since I can remember, but she cultivates only 9 per cent of her total acreage in all crops. Occidental Negros, which is the great sugar producer of the Philippines, cultivated in 1902 160,000 acres, in round numbers, or 9 per cent of her area.

Mr. HILL. Is that in all crops or sugar?

Mr. WELBORN. In all crops. Somebody told me that the Engineering News has made an estimate that the Philippines will never cultivate profitably over 9 per cent of her total area. Forty per cent of the cultivated land of Occidental Negros is in sugar. I have not been able to find the facts, but I will venture to say that Texas cultivates no more than that percentage in cotton.

The CHAIRMAN. Is not that the statement in the census, that 9 per cent of the lands in the Philippines is susceptible of cultivation successfully?

Mr. WELBORN. Not exactly that.

Mr. HILL. It says 9 per cent of the agricultural lands, of which 4½ per cent have at some time been cultivated.

Mr. WELBORN. I do not remember that fact just now.

The CHAIRMAN. I want to put in that statement from volume 4 of the Philippine Census, which I have here. It is on page 181. This shows that the agricultural land in the islands is 9½ per cent of the whole. And on the following page—page 182—it reports that 45.9 per cent of the agricultural lands are now actually occupied and used.

Mr. HILL. In view of the prominence of Occidental Negros in sugar planting, I would like to call attention also to the census report to the effect that only 21.9 per cent of that province is agricultural land, and that 41 per cent of this agricultural land is under cultivation.

Mr. CLARK. The whole area of the Philippine Islands is given at 73,000,000 acres?

Mr. WELBORN. Yes, sir; about that.

Mr. CLARK. There are 50,000,000 acres in timber, and so forth?

Mr. WELBORN. Yes, sir.

Mr. CLARK. That leaves 23,000,000 acres?

Mr. WELBORN. Yes, sir.

Mr. CLARK. What is the reason that the whole 23,000,000 acres can not be cultivated successfully?

Mr. WELBORN. What is the reason you can not cultivate the entire apple belt of Missouri?

Mr. CLARK. That is what we can do.

Mr. WELBORN. No; you have mountains there.

Mr. CLARK. We have hills which are called mountains. But the rockier the land is the better it is.

Mr. WELBORN. That may be so to a certain degree, but there is a limit there.

Mr. CLARK. That is what I wanted to find out, why, out of 23,000,000 acres, you could not cultivate more than 9 per cent.

Mr. WELBORN. I did not say that. I merely said that I had been told that the Engineering News so estimated.

Mr. WILLIAMS. In order to cultivate all of the land in a certain product, you would have to put none of it in other products to start with?

Mr. WELBORN. Yes, sir; that is true, of course.

Mr. WILLIAMS. People must raise their food; that is one proposition.

Mr. WELBORN. Yes, sir.

Mr. WILLIAMS. Then, in order to cultivate the land you must have the labor to do it. That is true?

Mr. WELBORN. Yes, sir.

Mr. WILLIAMS. Is it not in Mississippi, Louisiana, and Texas, and in the Philippines, more a question of labor than a question of land?

Mr. WELBORN. Always so.

Mr. WILLIAMS. Could not the Mississippi Delta alone raise all the cotton crop of the world if the labor was there to do it, from Memphis to New Orleans, on both sides of the river?

Mr. WELBORN. I have forgotten the acreage.

Mr. WILLIAMS. Take the alluvial lands there, down to New Orleans?

Mr. CLARK. Mr. Hill, did you say there was only 9 per cent of that area available?

Mr. HILL. Nine per cent is the possible agricultural area.

Mr. CLARK. That is the whole agricultural area available?

Mr. HILL. Yes, sir.

General WRIGHT. It is the same character of country as in Japan, and every inch of that ground in Japan is cultivated by a teeming population.

The CHAIRMAN. And after they have cultivated the land in Japan for 2,500 years that is the best they can do. There is not a piece of land as big as your hand that is not cultivated with something.

Mr. WELBORN. And in order to get at some of it they have terraced the hillsides, and they have to have bamboo ladders to climb up from one terrace to another. They have used up the resources of that country to such an extent that the women and children actually hunt the forests to get little twigs for fuel.

Mr. CLARK. How many people have they in Japan?

Mr. WELBORN. About 45,000,000.

The CHAIRMAN. Forty-eight millions.

Mr. WILLIAM ALDEN SMITH. And yet only 10 per cent of the land is under cultivation?

Mr. WELBORN. I am told so.

Mr. UNDERWOOD. Is it not true that all the agriculture and development depends on finding the capital and the men that want to go into it?

Mr. WELBORN. That, and your labor; but if you had the labor and all the other conditions combined the transportation would set a limit and would tend to keep you from overrunning the world with any extraordinary production. For instance, the sugar-beet business

is not growing any now to amount to anything. Mr. Willett said 265,000 tons, this year's crop, and last year they made 260,000 tons. They are growing, but they told me they are depending on the Russian and Bohemian and other foreign immigration for their labor, and they can not grow to amount to anything.

Mr. WILLIAM ALDEN SMITH. Might that not be due to the uncertainty of our laws?

Mr. WELBORN. I will tell you what I think it is due to, and that is the selfishness of the factories in not giving the farmer what he thinks he ought to have, which would be a fair division of the gross proceeds of the crop.

Mr. WILLIAM ALDEN SMITH. How much do you think he ought to have?

Mr. WELBORN. I can show you a thing you never thought of in that sugar-beet industry.

Mr. WILLIAM ALDEN SMITH. I am waiting to hear it. I have not heard it yet.

Mr. WELBORN. Yes, sir. I was giving figures about Occidental Negros. It alone is perhaps making for export about 75,000 tons of this low-grade sugar. Is it likely that she will in a short time cultivate as large a percentage of area as Louisiana, which has not a mountain within its borders? Gentlemen, you are scaring yourselves with a shadow; I say it in all sincerity. You talk to me about personal observation and the best maps available showing one-third of the Occidental Negros land cultivable. Cultivable when—one hundred years from now? These gentlemen want to count productive possibilities for all the balance of time, and set the figures up by the side of present-day consumption of sugar to frighten themselves and the country with.

Of the thousand mills in the islands in 1902 just about half of them were animal-power mills—carabao mills. The average-sized area in cane, as I remember it, was 176 acres, counting one mill to the farm. The industry of the Philippines will have to start where that of Java and Cuba did forty and fifty years ago. I admit it as my belief that the sugar industry in the Philippine Islands will not develop so slowly as that of Cuba and Louisiana have done. If so, we would not have much excuse for being here. We would not be benefited much by reduction in duties. Taking this year's estimated production as a basis for Louisiana, Louisiana has multiplied her production by two in the last fifty years. The United States imports have multiplied by over nine in that time. Of course the period of a great war, and all that sort of thing, had its influence. Cuba has done better than this. She has multiplied her yield by three in twenty-five years.

Mr. UNDERWOOD. What do you mean by "three?" Do you mean 3 per cent?

Mr. WELBORN. Three times as much. Production in Java has multiplied by three in just about the same time. Java has done better and multiplied her yield by three in the last twenty-four years. But the Dutch Government built every mill and turned them all over to the people.

The consumption in the United States has multiplied by three in twenty-five years. I believe it possible to multiply our yield in the Philippines more rapidly than this, but I can not see how the neces-

sary railroads and dirt roads and bridges and boats and warehouses and machinery and all the things necessary to handle a large production can be put in commission so soon as these people think.

Then we have a raw labor supply that we must pick and train and educate, and we have to excite in them the need and the desire for money in order to get large numbers of good laborers. It has been well proved that the small wages paid by the small sugar planters are not sufficient to attract enough labor for large enterprises, and I have no complaint to make against the Philippine planters for paying low wages. The Philippine planter is starving along with his laborers. In fact, I fully believe that if the laborer should be better paid and better fed, he would earn more in proportion than he does. The Philippine farmer, perhaps, has been shortsighted in not paying more when he was able to do it. So have the beet-sugar manufacturers been shortsighted in not giving the farmers more of the gross proceeds of their product. And that is the reason that their big mills run on short time and have to close up, and the reason that they have constant warfare and all that sort of thing.

I hope I may be permitted to indulge in these predictions as to Philippine production, since the opposition fears nothing but the future, and all their arguments are based on what may happen. That is all these gentlemen are afraid of. They admit they are not afraid of the past or the present, but they are afraid of the future. Believing, as I sincerely do, that our production can not be so rapid as they think, I foresee a market large enough for all the States and all our colonies for a long time. Speaking roundly, the United States is using 3,000,000 short tons of sugar a year, and importing, in round numbers, two-thirds of this amount, besides what comes from the home territories—Hawaii and Porto Rico. I do not consider Cuba, which is getting a concession. That concession with Cuba is by treaty, and need not continue. Our consumption has about multiplied by three in twenty-five years. We are yet 25 per cent per capita short of the consumption of Great Britain.

Mr. WILLIAM ALDEN SMITH. What is their consumption?

Mr. WELBORN. About 91 or 92. Ours is about 71 or 72. It will naturally be a little less in this year of high prices.

Mr. WILLIAM ALDEN SMITH. Those are this year's or last year's figures?

Mr. WELBORN. The last available year's figures, which would be last year's, or at least the last report. Those figures are substantially correct—70 or 71 or 72 and 90 to 91 and 92. That is, our per capita consumption is 25 per cent behind theirs and we are able to buy more good things to eat than they are. We have more wealth and the wealth is better distributed here than in England.

Should we suddenly commence to use as much sugar as the English people we would demand 3,750,000 short tons of sugar.

If present low prices continue, I predict our people will overtake Great Britain's per capita consumption in three years' time.

Should we multiply our consumption by three in the next twenty-five years—and we have multiplied rather faster the last half of that twenty-five years than we did the first half—and our production should multiply by three—and that is better than our production has done, perhaps—we will need to import between five and six million short tons of sugar instead of a little less than 2,000,000 tons, as now.

Are you afraid of conditions like that? Is there the slightest show that the Philippines will ever be able to do more than supply a small part of this demand in any time that we can reasonably foresee? There is nothing in the history of any cane-producing country to indicate it.

The cane-sugar production of the world has multiplied only 350 per cent in fifty years, and the world's consumption has multiplied over twice this fast in fifty years.

Mr. WILLIAMS. That difference has been supplied by beet sugar?

Mr. WELBORN. Yes, sir; the cane-sugar countries have moved slowly almost everywhere. Suppose we take a ten-year period just ahead and see what the probabilities are. With the rate of increase of consumption now going on, or which is proved to have gone on during the last twenty-five or thirty years, we will have an increased consumption at the end of ten years of a million and a half more tons. If we now need to import 2,000,000 tons, at the end of ten years there will be a demand for 3,500,000 tons. And who on earth will supply that, with Louisiana moving at a snail's pace and with the beet-sugar growers waiting for the Russians and Bohemians to come in, and with Hawaii already climbing up so high on the mountains that she will have to come down again because she can not make profits? It would seem that the people of this country would be dependent on poor little Porto Rico to supply the bulk of this three and a half million tons of sugar.

Our friends on the other side are still strenuous in insisting that we have very cheap production, but our production does not seem to be so cheap as it was. A year ago United States sugar people were circulating literature over the country saying that the Philippines had 6-cent labor; but now they come in, in the census of 1902, and say that we paid 17 cents then. At that time I did not know the figures, and I made a somewhat lower estimate than that; but I am willing to yield to better authority, and say that the labor in Negros must have been 17 cents in 1902. And it has been going up all the time since; so I will say that I was rather under the mark in 1904. And this rise in wages has come about without much business, too. You let us get some business like we are looking for now and you will see labor go up, and see much better conditions.

The only man in Occidental Negros who is working as many as 250 hands gave me a letter to the effect that he is paying 60 to 75 centavos a day and furnishing houses for his people to live in and furnishing land for the families of his people to work, and hiring them first in the island of Panay, because he could not get them in Negros. That is Mr. Charles E. Wheeler, known to some of you. He is hauling their rice free to them and hauling all their supplies free to them, so that his labor must be costing him, all told, 37½ cents a day. If, then, it takes two and a half of these natives to equal one American, you have your labor cost above a dollar a day, which is above the pay of the Louisiana field hands. Now, this matter of cheap labor is only apparent. These people do not deny any longer that our sugar people are poor, but they say that it is owing to poor methods. Well, I admit that this is very largely the case. But why have not American capitalists, then, gone in and improved these methods and taken the profits? I admit that that is rather a strange

problem to me, because I can say to you here to-day in all candor that I believe I could pick out two or three locations in Negros where moderate-sized mills could perhaps skin the world in cheap sugar production. But I do not believe that you could find more than that, and I do not believe that you can start that thing all over the country and all over the hills and mountains, and flood the world's markets with sugar.

Mr. CLARK. How much does it cost to get a real good sugar mill?

Mr. WELBORN. A million dollars.

Mr. CLARK. The cane off of how much land will one of these mills use?

Mr. WELBORN. About 7,000 to 10,000 acres in Hawaii; probably 30,000 acres in other sugar countries. They have a million-dollar mill, which I visited, in Hawaii. That is about the biggest mill, you know.

Mr. CLARK. It is possible to get a smaller mill as good as these large ones, to grind a less quantity of cane, is it not?

Mr. WELBORN. Yes, sir.

Mr. CLARK. How much is the smallest cost for a good mill?

Mr. WELBORN. You mean the smallest mill that would have the best ability for the extraction of sugar?

Mr. CLARK. That is what I want.

Mr. WELBORN. That would cost about \$250,000, according to a sugar engineer who figured it for me.

Mr. CLARK. That would use the cane off of 1,025 acres?

Mr. WELBORN. You are speaking of this plantation that makes the highest yield in the world. That more than quadruples the average yield of the balance of the sugar world. Probably 6,000 or 7,000 acres of average sugar land.

Mr. UNDERWOOD. To fix that figure give it in tons. How many tons of raw sugar is that, and how much cane would a million-dollar mill consume?

Mr. WELBORN. That would depend a good deal on the length of your run. If you were to do like the beet-sugar manufacturers do and get in a row with the farmers and not get any beets and cane and only get a forty-day run each year, then you would have a heavy cost; but if everything is well proportioned and the weather is good and all that—you make all the cane you can grind—you would have, as in the Philippines, about 120 days' run of that mill, and a mill that costs \$250,000 ought to turn out 60 tons of sugar in twenty-four hours, and 60 times 120 would about give you the capacity of a \$250,000 mill, as best I know it.

The CHAIRMAN. That would depend upon the richness of the cane?

Mr. WELBORN. In a measure.

The CHAIRMAN. If an acre produced but a ton of sugar from a given weight of cane, of course it would be a much less product than it would if it produced 8 or 10 tons from the same weight of cane, that is, the production of the mill would be less, because it would require almost as much time to grind a cane of low sweetness as of greater sweetness, would it not?

Mr. WELBORN. Yes, sir. I was taking the analysis of the wet and dry countries of the West Indies, and taking about an average, where they have their stormy season, and all that, not as rich as the dry side of Hawaii.

MR. CLARK. Why is it necessary for each particular sugar plantation to have its own mill?

MR. WELBORN. It is not necessary.

MR. CLARK. Why could not one mill locate in a certain place and grind cane for divers and sundry people, just as one flour mill does in this country?

MR. DALZELL. As sugar mills do in Cuba.

MR. CLARK. Exactly.

MR. WELBORN. So it can; but you will there encounter some difficulties that others have met, perhaps in an exaggerated degree, because the people of the Philippines are not so well educated and have not had so much experience. The other people have had from forty to one hundred years' experience. The Filipino, excellent man as he is, because he is an excellent man, and always polite, if he is a poet, is slower about doing things than most men.

MR. CLARK. I am supposing that a number of men go over there and each buys his small tract, you buy 50 acres and I buy 10 acres, for instance.

MR. WELBORN. Yes, sir.

MR. CLARK. What is the reason that one mill could not grind all that cane at a fair rate of toll?

MR. WELBORN. There is no difficulty at all about that if you get the cane. But a central mill, depending on the cane from the lands as they are now, would find difficulty in making connection between the cane and the mill, on account of the slow methods of the people.

(Thereupon, at 12 o'clock, the committee took a recess until 1 o'clock.)

AFTER RECESS.

The committee (at 1 o'clock) resumed its session, Hon. Sereno E. Payne in the chair.

Members present: Messrs. Dalzell, McCleary, Hill, Boutell, Curtis, Needham, Smith, Robertson, and Clark.

THE CHAIRMAN. Mr. Welborn, you may proceed.

STATEMENT OF MR. W. C. WELBORN—Continued.

MR. WELBORN. I stated this forenoon that I would be glad to answer all the little quotations that have been made from me and explain them. There is one particularly that I thought of, and that is where I am quoted as saying, while making the report of the Murcia rice farm, that the average labor cost was over 30 centavos gold in 1904. There is another reference in the same report, disconnected from any other statement in the report and brought into this record, which says that we are paying 31 centavos, I believe, for transplanting rice. It is clearly stated in that report, in that same connection, that this 31 centavos for transplanting rice is the wages which the women and children get. The people in that country, women and children—little tots from 5 years old and upward—all bunch together and work together in a crew of 40 or 50, or 60 it may be, and have a kind of fiesta, and they will go and transplant rice and have a kind of a ball, or expect to have it, at the same time.

It ought to have been stated by the side that brought this in here, stated clearly as a fact, and something which is well known to anybody who would read the report through, that there is no conflict at all between that statement and the other. One refers to women and children and the other refers to men.

Now, I want to refer to the question which Mr. Williams asked in regard to the necessity in the rural districts of the Philippines on the part of the people to grow their own food supplies. I want to say that of all the people I have ever seen in the world the Filipino comes nearer having no intercourse at all with the outside world, and comes nearer raising everything of every kind which his wants require than any other people, and that fact alone would be a great factor in keeping down any immense production of sugar there to the exclusion of other things.

But, again, the opposition admits that it is the prospect that they are afraid of. Now, I want to show them some pretty good prospects on both sides of the water, when you come down to that. The sugar interests have been working considerably in the direction of cheapening the production in the last few years. We have that from the testimony of all of them—that they are anxious to cheapen production so that the consumers of the United States can get cheaper sugar and the producers still be able to get their profits. One of the Louisiana delegates last year told your committee that if your cane needed four hoeings it got it. Doctor Stubbs told me the other day in New Orleans that hoeing is a thing of the past in the cane fields of Louisiana. Doctor Stubbs is the greatest authority on cane sugar in the world, I believe, to-day.

I saw a great number of sugar-cane loaders in the fields in Louisiana, and Doctor Stubbs told me they were effecting a great saving in the cost of handling. This is the first year they have been generally used. I think they have been able to cut down their cost of production a great deal this year.

I asserted in my testimony last summer in Manila that if the cost of producing Louisiana clarified sugar were 3 cents, as Colonel Hill stated, his calculation based on a yield of 20 tons of cane to the acre and 125 pounds of sugar to the ton of cane, as he stated, then the actual cost must be much less, because I have here a Government publication giving the average production of cane sugar in Louisiana for the last ten years at 146.5 pounds of sugar per ton of cane, and it also gives the yield of cane as a fraction over 20 tons to the acre.

If, then, that statement is correct, if 3 cents is the correct cost of Louisiana clarified sugar on Colonel Hill's basis of yields, and if the Louisiana people made the actual yields, as shown by the Government publication, it will bring the cost below \$2.70 per hundred pounds, as a simple calculation will show, and then you count nothing for the molasses.

So far as my information goes, yellow clarified sugar will be worth to-day, or should be worth to-day, 1 cent a pound more than Philippine concrete sugar in New York or New Orleans, or Philippine 84° sugar. Add to this difference 31 cents duty, according to this bill, and a half cent freight, and insurance and commission and storage, and all that sort of thing, and we have \$1.81 handicap against the Philippine sugar.

And let me say just here, now, that this matter of shipping Philip-

pine sugar to the United States and selling it at a quarter of a cent a pound is a mistake. We had testimony to the contrary at Manila, the testimony of Mr. Lowenstein, who actually does that business. I have personally visited Smith, Bell & Co., and they have shown to me the items that go to make up the cost, and these gentlemen here have left out some material additions to that cost. There is a loading charge from the warehouse in Iloilo, and there is a storage charge, and there is an insurance charge in the warehouse in Iloilo, and there is an unloading charge at New York or Philadelphia. There is also a storage charge there, and a selling expense there, and I can estimate it and prove that it will take \$10 to ship and sell every ton of Philippine sugar in New York that we grow.

Talk about shipping sugar to San Francisco. Why should we ship to San Francisco, when the beet people, as a matter of fact, have that market full? Why does not Hawaii send her sugar to San Francisco? She sends most of it to New York.

Mr. NEEDHAM. I wish you would put that in your evidence in the record, if you can—the proportion of Hawaiian sugar that comes to New York and that which comes to San Francisco. That which comes to New York comes through San Francisco, does it not?

Mr. WELBORN. No; most of it comes around the Horn. Some of it, however, comes to San Francisco. I read half a dozen reports of the Hawaiian sugar plantations for the last four years, and when I get those reports I can prove to you the marketing expense of every ton of Hawaiian sugar, and can prove that it ranges from \$10 to \$14 a ton.

Mr. WILLIAM ALDEN SMITH. You quoted Mr. Lowenstein, and yet before the Taft Commission, so called, he said that Mr. L. Locin Rama, who preceded you, had made two errors in his estimate of the cost of sugar laid down in New York. He figured the freight from Iloilo to New York at 24 centavos, whereas the rate is \$6 a ton of 2,240 pounds, or 27 cents for 100 pounds. That is Mr. Lowenstein's evidence. That shows a wide discrepancy between his statement and yours.

Mr. WELBORN. No; I made the statement that there were some items which Mr. Hathaway did not bring in—the storage charge and the insurance charge at Iloilo and an insurance charge en route, a considerable one, too, on the sugar shipped over from Iloilo to New York.

It is a high insurance charge for a sailing vessel and a high freight charge on a steam vessel, and it is lower insurance and higher freight charge on a steam vessel. Then if you add to that your unloading and storing and commissions, I think it could not be less than \$10, inasmuch as I know from memory that the Hawaiian reports show that their marketing expense runs from \$10 to \$14 a ton, including all items. That is an actual fact. Mr. Atkinson is here and no doubt remembers enough of the conditions there to know that I am telling you the facts.

The CHAIRMAN. Mr. Lowenstein said it was the freight.

Mr. WELBORN. Yes; but he left out material items in this cost.

Mr. WILLIAM ALDEN SMITH. Yes; that is the statement.

Mr. CLARK. Why would it cost more for Hawaiian sugar in New York than for Philippine sugar?

Mr. WELBORN. It costs more, perhaps, because our coastwise laws have not been extended to the Philippines, whereas they have been extended to Hawaii. The Philippines as yet have the competition of the English and other foreign vessels. I think that would explain it, but I don't know about that. When our coastwise laws are extended to the Philippines, everybody there believes that that will still further raise the cost of freight. But I am not a shipping man, and could not say for certain. Now I will try to get at this matter of the Louisiana man's cost, based upon an estimate that they seemed to agree upon a year ago. If their cost was 3 cents, based on a yield of 20 tons cane per acre and 125 pounds sugar per ton cane, then their actual cost must have been 2.67, since they made 146.5 pounds sugar per ton. One of the gentlemen who appeared a year ago, a Mr. Munson, said that in addition to his 125 pounds of sugar per ton of cane, he got about \$10 worth of molasses in addition to each ton of sugar.

It is curious that nobody is saying anything about this big by-product. Nobody from Louisiana is emphasizing that very much. Still it is a very considerable item in the profits of the business in Louisiana.

Take this half a cent a pound, now, that he seems to get in the molasses, and I do not know that this is a representative plantation. I doubt it for the reason that the same Mr. Munson had his mill cost so high, and his field cost of cultivating an acre so high, that I knew that they could not be average or representative conditions. But if it should be an average condition, then taking this by-product from the cost of turning out the sugar, about \$2.67, you will have a cost of about 2.17 cents a pound for the Louisiana yellow, clarified sugar. Recollect I am using averages now, so far as I have been able to learn the facts.

Now, suppose you make a comparison between that and Philippine sugar. The Philippine sugar would seem to be worth about a cent a pound less than the clarified. It would certainly cost a half a cent a pound to bring the Philippine sugar to this country. It would cost 0.31 cent to pay duty, if the bill passes.

Mr. HILL. Under this proposed bill, you mean?

Mr. WELBORN. Yes. That is what the cost would be under these conditions. Now, Philippine sugar as now made will have the following handicaps as compared with Louisiana yellow, clarified: One cent a pound less value in American market, 0.50 cent a pound freight and selling expense, 0.31 cent duty under this bill, or total 1.81 cents disadvantage. Since the Louisiana product appears to be turned out at 2.17 cents cost, to put the Filipino sugar on the same basis of opportunity for profits as you have he would have to grow his cane, make his low-grade sugar, and put it in Iloilo for 2.17 cents less 1.81 cents handicap, or just 0.36 cent. So, then, in order to put ourselves on an equal industrial opportunity with each other; that is, between the Philippines and the Louisiana people—and I am taking averages now, so far as Louisiana goes—the Filipino would have to make his sugar and mill it and put it into Iloilo at thirty-six one-hundredths of a cent a pound.

These are the people who raised this question last year, of equal industrial opportunity, so as to give us all a fair show. That is what we are all after. Thirty-six one-hundredths of a cent a

pound would be what the Filipino would have to make his cane and cut and mill it and put it into Iloilo for.

Let me tell you something. This thirty-six one-hundredths of a cent a pound is only about 23 per cent of what the beet-sugar men claim it costs them in the factory alone to turn out their beet sugar. It is exactly 30 per cent of what Mr. Munson, of Louisiana, said it cost him in his factory—the factory cost alone of turning out cane sugar last year. The Filipino must do it all for 23 or 30 per cent of what the other fellow says it costs him in the mill alone, and I submit that there is not so much difference in this matter of labor cost and all that sort of thing to frighten ourselves with.

Now, I want to make the suggestion to my Louisiana friends who are conscientiously striving to reduce the cost of production, as I believe they are. I doubt a little bit the motive that causes that striving—whether it is for themselves or for the other fellow—but I wish to make a statement that will help the situation quite a good deal. I learn that cane factories in Louisiana are willing to buy Louisiana cane when yellow, clarified sugar brings 4 cents a pound at \$3 a ton delivered at the mill. As a matter of fact, at this time the only people getting \$3 a ton for cane in Louisiana were those who made a flat contract when sugar was high. All the others get lower than that, and those who are getting \$3 a ton are very happy.

Mr. CLARK. That is, where they raise the cane and take it to you?

Mr. WELBORN. Yes; where they sell it to the factories.

Mr. CLARK. How much cane can you raise on an acre of ground? I mean on the average?

Mr. WELBORN. About 20 tons.

Mr. CLARK. That is \$60 an acre for the cane?

Mr. WELBORN. Yes, sir.

. Well, now, let me show what the mill is getting out of this ton of cane. You already know what the fellow that grew it gets under this flat-rate contract. If this is not a fair statement of what the business conditions are in Louisiana I would like somebody to correct me. Let us get at the truth. That is the truth as I got it. I believe it to be true.

Cane enough to make a ton of sugar, then, at 146.5 pounds of sugar to the ton of cane, it seems to bring the farmer \$42 under conditions that seem to actually exist now in Louisiana—or not exactly that, either, but as they would exist if yellow clarified sugar was worth 4 cents. It has been that high, but is not quite that now. The manufacturer is getting \$38 for putting it through the factory, and I believe the farmer now, under that arrangement, has to deliver the cane at the mill, so that the mill seems to get more than the farmer gets out of the gross proceeds of the cane, and I know he does if we are allowed to add to what he gets that \$10 worth of molasses to the ton of sugar, which I mentioned a moment ago. He gets considerably more. This \$38, then, plus the value of molasses, whatever that is, seems to represent the manufacturing cost and the profit, and so on, alone, in the Louisiana sugar industry.

Now, gentlemen, it is well known that the Hawaiian factories—some of them—work at a cost of \$4.50 to \$5 per ton of 96° sugar. That is well known, and will not be denied.

I have some government reports here from Queensland, Australia, showing the factory cost to be about \$6 per ton of sugar there, and the

mills and factories there are about the same size as the Louisiana mills, and each one has to pay a fuel bill in addition to the cost of the cane, just as the Louisiana factories have to do.

Mr. WILLIAM ALDEN SMITH. It may be interesting for you to know, Mr. Welborn, that a consular report that I received yesterday shows that the beet farmer of Canada in many instances has got as high as \$50 an acre for his beets.

Mr. WELBORN. Why, sir, Michigan and Colorado farmers have many times obtained a hundred dollars to \$125 an acre.

Mr. WILLIAM ALDEN SMITH. But this is in the new territory, where they are just experimenting.

Mr. CLARK. I want to ask you a few more questions. I want to get at the facts of this.

The CHAIRMAN. These reports as to Canada also show that they are making a big profit.

Mr. CLARK. Do you know whether it takes any more per acre to raise an acre of sugar cane in Louisiana than it takes to raise an acre of corn in Missouri or Kansas?

Mr. WELBORN. Yes.

Mr. CLARK. What about it?

Mr. WELBORN. The cost of raising sugar cane is considerably greater at planting time, because they have to have the cane to plant, you know, and the cost would be greater by the value of the seed, because an acre of corn does not cost anything hardly to seed it.

Mr. CLARK. How much does an acre of seed cost?

Mr. WELBORN. I could not answer that for certain.

Mr. CLARK. Then how much does an acre of sugar land cost?

Mr. WELBORN. Possibly \$40 or \$50. As to the cane seed, I think I can give you an approximate value. I think Mr. Munson, in last year's statement, gives a valuation. I think he said it was somewhere near \$10 or \$12 in Louisiana. They generally fertilize cane land more than they do corn, and after you get it planted, since they have done away with hoeing entirely; I should say that the culture of it after that, up to the gathering time, will not be greater, or much greater, than corn. It will not be appreciably greater.

The CHAIRMAN. While the committee desire you to present fully your views, I would suggest that you do not take up too much time in these side remarks—these remarks aside from what you have in writing there. We are anxious to get through these hearings, you know.

Mr. WELBORN. I am anxious to answer all the questions that the committee may ask me. If the committee would be kind enough, then, not to ask so many questions until I get through with my statement, I will not make any side remarks or need to make answers.

The CHAIRMAN. I was not speaking of that so much—your answering questions—as of your volunteering so much.

Mr. WELBORN. When a man honors me by asking me a question, I want to give him extra measure of good, honest information.

The CHAIRMAN. All right; go ahead.

Mr. WELBORN. Now, then, I could never understand why it ought to cost a Louisiana factory \$38 or \$48 for its actual milling cost, when the Queensland factories, working nearly under the same conditions, give a cost of \$6 a ton. I can not reconcile it. I have but one state-

ment where it gives the cost as high as \$24 a ton. That is Mr. Munson's statement last year. In buying the cane straight and at a price that satisfies the farmer, if it costs \$40 to \$48 in the mill alone to make each ton of sugar, I can not see how Australia can do it for \$6, where they have higher labor than Louisiana ever saw. Here is the opportunity to cut off a cent and a quarter, all at one whack, in the cost of producing sugar in Louisiana. That is a suggestion that I think will be very helpful to them, if adopted, because they can cut off a cent and a quarter from the cost of production under these conditions and then have \$17 or \$18 for manufacturing. And since that is three times the cost of production in the Queensland factories, working under the same conditions, or under conditions not far different, I can not see how in the world \$17 or \$18 is not an exorbitant estimate of cost.

Here is an opportunity to save which means something. It is nothing like a 10 cents a year business. I wish to explain that manufacturing sugar in Louisiana is necessarily more expensive than in Queensland, for the reason that Queensland has a sweeter cane, but it could not be greatly more expensive. It ought not to be as high as \$17 or \$18, and I believe that if the matter were rightly inquired into, it could be well established that this is an exorbitant estimate of legitimate cost and profits.

Now, I have some figures regarding the manufacturing expenses of beet sugar. I have a Government report—a report of the United States Government—that shows that in the years 1897 and 1898—I say I have it now, but I haven't it right here, but will furnish it—that shows that in 1897 and 1898 the German beet-sugar factories worked at a factory cost of \$5 per ton of sugar turned out. I have here a later report, for 1901 and 1902, and they had then gotten it down to a factory cost of from \$4 to \$4.50 per ton of 88° sugar.

THE CHAIRMAN. That sugar is not refined, is it?

MR. WELBORN. No, sir; I will explain that difference a little bit further.

Now, the American factory that buys beets at the flat rate of \$5 per ton and gets 240 pounds of refined sugar per ton, worth \$4.25 per hundred pounds, which would approximate the present conditions—and if that is not true to-day it was true at the time I wrote it; pays the farmer forty-one and two-thirds dollars of the final value of the ton of sugar, while the factory gets forty-three and one-third dollars as its share in the transaction. The only time Mr. Hathaway ever paid the farmers 2.30 for the sugar recoverable from the beets is when they are working on a graduated contract and the beets prove unusually rich.

Then I count in another important item. The beet people have a very valuable by-product which they get. I suggest that if you want to find out the truth about this business you should ask somebody connected with the Alma, Mich., sugar factory, to see if they have not an opportunity, for every ton of sugar they turn out, of making a ton of dry mixed molasses and beet-pulp feed, which retails in New England at about \$20 per ton.

MR. HATHAWAY. I am connected with that factory, Mr. Chairman, and I would like the privilege of saying just one word.

THE CHAIRMAN. If you get into a general debate it might last some time.

Mr. WILLIAM ALDEN SMITH. He spoke of asking a manager of that factory, and Mr. Hathaway is the manager.

Mr. WELBORN. I spoke of somebody else asking him, not asking him myself. I wanted somebody to ask him, if he is not doing it, why he is not doing it, and whether there is not that actual potential value of foodstuff in that by-product, and is it not a fact that the farmer is not hearing anything about this value, which I should judge might net the factory \$10 for every ton of sugar which it turns out? I do not state that for a fact, because I am not on the inside of that business.

Now, Mr. Hathaway says that my statement, made at Manila, about the amount that the farmer and the factory get out of the gross proceeds of the beet sugar is so ridiculous that he can hardly restrain himself and keep himself within the bounds of courtesy. I believe I can always do that when I am telling the truth. [Laughter.] At the price of sugar prevailing at that time I told the absolute truth, and nothing but the truth, supposing the \$5 flat rate. I don't know anything about his graduated contracts or anything like that, and I think the \$5 flat rate has been rather above than below the average.

The CHAIRMAN. You took the price of sugar when it was abnormally high?

Mr. WELBORN. Yes; it is abnormally low now, and it still looks as if the beet-sugar factory is getting about 55 or 60 per cent and the farmer about 40 or 45 per cent.

The CHAIRMAN. Do not prolong that discussion, please, to any great length, Mr. Welborn, because this bill does not seek to regulate that matter.

Mr. WELBORN. Yes, Mr. Chairman; but they seem to be getting into our back yards and finding out all the mean things that they can about us, you know, and I must convince them they can make sugar cheaper than they think they can.

The CHAIRMAN. You have already been over it.

Mr. WELBORN. Now, about the old simile that the butcher is willing to butcher the cattle for the offal, it seems under this flat-rate arrangement that the factory gets the hide, and the hair, and the tallow, and the blood, and the bone, and the hind quarters, at least, of the product when they butcher the sugar beet. [Laughter.]

I have seen it stated in the papers that Mr. Havemeyer has gone over to Colorado to cut down the price to be paid to the sugar-beet growers or farmers. Now, nobody can find out much about the cost of refining sugar in this country. Taking the average difference between the cost of raw and refined sugar as 60 cents per hundred pounds, I conclude that the loss in weight by refining represents 40 of this 60 cents difference, and that the actual work and material and profits of refining represents 20 cents. Since the loss in weight is not to be considered in this case, as we are dealing with refined sugar, it would seem that the extra cost of making refined over making raw sugar would be about \$4 a ton. Since the German factories turn out raw sugar at a manufacturing cost of \$4 a ton, surely our beet factories, which are uniformly larger and newer than the German factories, could turn out the raw sugar at \$6 a ton, or at an advance of about 30 per cent over German cost.

If these suppositions should prove true, as I believe they will, if the truth can be learned, the beet factories should be able to turn out

refined sugar at a cost of \$10 a ton, and here is a chance to save a cent and a half per pound in refined beet sugar and still leave the factory \$13 $\frac{1}{2}$ per ton for all costs and profits, instead of \$10, which would seem a fair charge for the work. This would make refined beet sugar at \$2.75, after paying the farmer a flat rate of \$5 a ton for the beets.

Putting the handicaps on Philippine sugar up against that cost, supposing them to get together in the market of our country, then the Philippine farmer and manufacturer combined has to make his sugar and put it into Iloilo at 49 cents per 100 pounds to have that opportunity for profit which the beet-sugar men would seem to have; and I am taking averages now on the \$5 rate.

Mr. HILL. That is per 100 pounds?

Mr. WELBORN. Yes. Now, I am not alone in picturing success for American beet sugar in spite of all competitors. I understand it is a matter of record, or it will be made so, that one high in the councils of beet sugar and in opposition to the Philippine sugar has made predictions due to come true in a very few years from now that would make my calculations look like 30 cents.

Mr. WILLIAM ALDEN SMITH. You mean yours would look like 30 cents then or now?

Mr. WELBORN. Now.

Now, it is in evidence that the Wisconsin Experiment Station raised beets for eleven years and averaged a yield of over 16 tons per acre. They give \$30 as covering all the cost of producing the beets. This is a farm cost of less than 1 cent a pound for the sugar in the beets. With a farm cost of 1 cent a pound and a manufacturing cost of two-thirds of a cent you can see what you might be able to do under favorable conditions where you own farm and factory.

I have been taking average conditions. Those other conditions would be very favorable, and poetic conditions such as these gentlemen found in the Philippines. If you turn out beet sugar at 1 $\frac{2}{3}$ cents a pound, Philippine sugar would have to come in free and have a bounty in order to be on an equal footing with you. It seems that Mr. Saylor, Government expert on beet sugar, and Professor Wing and Professor Woll and Doctor Kedzie all unite in giving \$30 an acre as a fair estimate of farm cost and 12 tons as a reasonable expectation of yield. Under conditions like these the farm cost will be only slightly over 1 cent a pound. This should make the cost of sugar to the farm and factory combined a little less than 2 cents, and this would be about the figures put in evidence as predicted by the leading authorities on beet sugar in the United States, due to come true now in some four years.

Now, my belief is that the United States market would absorb the Philippine production without even feeling or knowing it, even though her production should increase twice as fast as Hawaii's has done. Even though her production could by any miracle increase more rapidly than beet sugar has increased, with its beautiful chances for profit that I have shown you, still the market would not be affected in the least.

You will all admit, and it has been admitted, that the Filipino must wipe off his slate and begin all over again. He has nothing worth while in the way of equipment, or knowledge, or anything else to start him in the production of sugar. It has taken the beet-sugar industry in this country fifteen years to pass the quarter-million-ton

point in production. I verily believe that the Cuban crop, with its 20 per cent reduction, along with all the Philippine crop, may continue to be absorbed indefinitely without filling our great and growing market.

If by any chance the market should get full enough to reduce the prices all around by 20 per cent of the duty, why, by that time so many improvements will have been made and we can all make sugar so cheaply that all of us engaged in making sugar will want to make this trifling concession to the consumer, who is a very large and respectable party. Such a condition would come about by natural process and not by any attack on the tariff laws.

I was asked last summer by Senator Newlands what compensating advantages would be made to the United States in case her Treasury should be called on to lose this revenue which we are asking to have taken off of Philippine sugar. What we are asking at present on the present production would entail a loss of less than \$2,000,000. I would hope and believe that getting a better market price for the sugar and finding this market largely in the United States would stimulate trade enough to more than meet this. As our production grows the trade would grow. Even if Philippine sugar should ever hurt our home sugar market, we would come as near benefiting all the people of the United States by building up general trade as we do now by fostering sugar. And yet I contend that we can build up the trade and still foster sugar. Particularly can our trade be extended three years from now, when our tariff laws can be extended around the Philippine Islands.

Without a great enough expansion of our sugar and tobacco business to hurt the producer of the United States, I believe we might be able to buy and sell from the United States \$100,000,000 worth in twelve or fifteen years of development.

I have been greatly surprised by some statements made by Mr. Humphrey and Mr. Hathaway. Mr. Humphrey says nobody would invest in Philippine sugar growing, and that we will put the Filipino on his knees to the trust. The statement that sugar can not be refined in the Philippines is absolutely wrong. Hongkong is a tropical country and one of the wettest places in the world. Hawaii is refining sugar; Egypt refines; Java is refining one-fourth of her crop; Peru has refinery interests, and Mexico has refineries. I made no such statement as Mr. Hathaway attributes to me, that beet-sugar farmers cultivate 40 acres to each laborer. I was simply giving statistics that in all agricultural pursuits in America the average sized farm is 146 acres, and that each agricultural laborer averages working about 40 acres. Of course I know a man does not cultivate 40 acres of celery, neither have I ever believed a man cultivates 40 acres of beets, and I did not say so. Neither did I say anything that could be so construed.

The Philippine census is quoted by Mr. Hathaway to prove that the wages of labor on sugar estates was 17 cents a day in 1902. Everybody says that labor has steadily advanced since then. When the currency was changed from Mexican to Conant, the wages went up some 15 to 18 per cent with that change alone.

I am quoted as to what I have seen some laborers do in the island of Negros. I made that visit to Negros in August, 1903, and I saw these laborers, and they were getting the price I stated. The fol-

lowing year I mentioned this incident to counteract that general statement which everybody was making, that the Filipino would not work. I still believe that the Filipino is a better laborer than he gets the credit of being, and I believe he will work better if he is better fed and better paid.

I say to you now that I have kept in touch with this problem, and I will say to you that the labor that cost 16 to 20 cents in 1903 will generally cost 30 cents and above now. The same report says that labor was costing us over 30 cents at one place, and that laborers who were learning to be good teamsters in Negros were being paid from 30 to 50 cents per day in Negros in 1904. You [addressing the beet-sugar representatives] did not quote that part of the 1904 report. I might add now that we are paying 50 cents at one of our places for all laborers, and \$1 at another, where we have to use Japanese labor.

Here is another little matter that I did not mention in regard to Mr. Hathaway's figures. Mr. Hathaway attacks my quotation of census returns as to sugar yields. He quotes from information of a general character to indicate the yield I stated as not being more than half of the actual. This alleged general information must have been erroneous. We shipped almost precisely the same amount of sugar that season that we have shipped since, and I think the acreage was never reduced, but rather increased. In fact, looking up the matter further shows 64,000 hectares planted in the census year and 72,000 planted the next year. I personally observed the crops of 1903, 1904, and 1905. I believe from those observations that Negros's yields per acre have been declining and Pampangas's gaining.

It seems that Mr. Hathaway admits further on that in 1902 a slightly bigger crop was made than has been made since. To be entirely fair, and not to allow the truth to be concealed, even though less favorable to my argument, I will say that the entire 180,000 tons produced in 1902 was confused with the exports of other years. I think each year since has shown substantially the same yield—that is, about 100,000 for export and about 80,000 for consumption. But I am sure there has been a little increase in acreage, so that my census figures of low yield per acre are more than borne out.

Mr. Hathaway purports to find proof that the census figures were wrong, because he takes the average of the years from 1891 to 1902, both inclusive, and then he adds them up and gets an immensely larger average yield than the crop of 1902. Why on earth did he go back eleven years and take the production when we made two and six-tenths as much sugar as we have since American occupation? Why take any of the years of the revolution? And then why not take 1901 and 1903 and 1904, every one of which shows a smaller yield than 1902? Why did he not take those years on each side?

I would not present such a set of figures nor such an argument. I would be afraid it would discredit my intelligence and my sincerity. Take the years on each side, and you will find that everything I said is more than borne out.

Now, Mr. Hathaway rather misquotes me about my statement at Manila, when I was under fire, to the effect that I was a Mississippi Democrat and had a good deal of respect for the interests of the consumers of the country. Now, Mr. Hathaway, as usual, goes on and

makes a crazy quilt of what I said by adding something I did not say and putting it in as a quotation with what I did say. That is not fair fighting at all, it seems to me. I did not say I was not in favor of protection. In fact, I think I have discovered that the Democrat likes a little protection about as well as the Republican does. [Laughter.]

The CHAIRMAN. I think that will be universally admitted. [Laughter.]

Mr. WELBORN. When I was rather a young man Mississippi was trying to get up some sort of a constitution that would get rid of the ignorant negro vote. Of course they had to get up something entirely fair on all hands, and they seriously discussed the desirability of putting in a clause to disfranchise a man for whipping his wife. I had lived in the white belt when I was young and was living in the black belt then. I said to an old negro that I knew, "Uncle Jeff, is it true that nearly all colored men whip their wives?" He scratched his head a moment and then said: "Well, I believes dey all gives dem a little now and then when dey needs it." [Laughter.] And I might add that in that sense I will take a little protection when I need it.

The CHAIRMAN. Mr. Welborn, please leave out the women folks in your discussion and confine yourself to the question in hand. [Laughter.]

Mr. WELBORN. I will. I would like to state one more thing not quite in line and then I will resume the thread of my argument. I want to say that I do not see so much difference nowadays between a Republican and Democrat anyhow. I don't know that I am sure now just where a Republican leaves off and a Democrat begins. I was in Mississippi the other day and I said to an old-line, red-hot Democrat: "I hear that you are liking a Republican President a good deal better than you did when I left here two years ago." "Well, sir," he said, "if he keeps up the gait he is going, if he keeps going after the trusts, the railroad combines, and keeps turning the rascals out, I'll be gol darned if we wouldn't be willing to nominate and elect him again on the Democratic ticket." [Laughter.]

I am confronted with Mr. Heil's testimony, which seems to conflict with mine in certain material matters. I believe I will just skip this, because you will put it in the record anyway.

The CHAIRMAN. All right; we will put it in the record.

Mr. WELBORN. What I said in reality does not materially conflict with anything that Mr. Heil says in his later statement. Mr. Heil first said that ten rattoon crops could be grown, and that rattoons would yield more than first-year cane, and that he could make sugar for half the cost of the native planters, and that mules to do this work could be bought for \$100. He testified, too, that by deep plowing he could grow much better cane, etc.

This correspondence brings out the following facts: That 15 acres rattoon found on the place, found there when Mr. Heil went there and supposed to have been planted in 1898, made in 1903 and 1904, Mr. Heil's first year, \$54 worth of sugar, or \$3.60 worth per acre, and that when it was cut the stand was so nearly gone that new taps were filled in, amounting to almost a new planting. He said that the horses he had known to be bought for \$100 were condemned army stock.

He said further that he produced slightly less than 200 tons of sugar from 150 acres, or $1\frac{1}{2}$ tons per acre, at a cost of 9.50 pesos a picul, or \$3 gold, not including the freight to Iloilo, which was paid out of the proceeds of sales of sugar. He said in his first statement that he was paying from 50 to 75 centavos a day for labor, but I believe Mr. Hathaway did not quote this.

Mr. Heil had also said that ratoon crops made a better yield than first-year cane. He answered that he had not tried it, but that people told him so. I wrote him again to find out if there had been a misunderstanding, and I got a reply this morning saying the people there say that they get more No. 1 sugar, but no lower grade. In other words, they get less sugar, but sugar of a better quality. We all knew this before.

What I said at Manila seems to be entirely supported by Mr. Heil's last statement, except it seems that in isolated cases planters get two ratoon crops except one, as I have stated. That is substantially the truth, I verily believe. I had been over the sugar district for more than two years, and I had never been told otherwise than as I have stated, and the universal statement was that almost always just one crop was gotten, but sometimes two.

Now, Mr. Hathaway again attempts to go behind the census returns in the Philippines with the yield estimated by individuals. I can show you right here by a Government report from Wisconsin the names of 35 men who average over 20 tons of sugar beets to the acre; and with the average cost of growing of \$30 an acre it makes the farm cost on these beets two-thirds of a cent per pound. Add to that a factory cost of two-thirds of a cent a pound and you have about $1\frac{1}{3}$ cents a pound for the total expense of growing beets and making sugar. These statements, however, were not made to people going to buy beet land, but they were made to Government officials. I do not care how much the Filipino makes per acre, or how little the wages he works for; he could never compete with these possible prices of beet growing under the exceptionally favorable conditions.

As to the yield which Mr. Hathaway thinks the Philippine Islands might make, he says 6 to 8 tons of sugar to the acre. Let me remind you that the wet side of the Hawaiian Islands makes an average of $2\frac{1}{2}$ tons. The whole of the West Indies do not average over 2 tons. Egypt and Queensland do not average over $1\frac{1}{2}$ tons; and what on earth would ever lead one to believe that we would get up to the average of 6 and 8 tons? There is nothing on record to indicate such a thing. It is very likely that with the little that we know about it, with everything to start from the beginning, and all that sort of thing, it would be many years before we would succeed in getting 2 tons on the average.

When we speak of a loss of 40 per cent in the mill it does not mean the present yield of cane under modern milling methods would yield this difference in higher-grade sugar. Philippine sugar is not pure sugar. It has all the molasses boiled dry with the sugar, and this adds nearly as much weight as the mill loses.

Now, these are the most remarkable people I ever heard talk. A year ago they said we were going to flood the world's market if this bill, or a bill similar to it, were passed, and they said we would do so in three years' time. Now they come and say that this bill

will ruin the Filipinos themselves. Mr. Hathaway heard and believed so much about cheap production in the Philippine Islands that he went there to invest, but he came away deciding not to invest, and now he says he would sooner invest under present conditions than under the proposed bill, and yet he is here, philanthropically it would seem, spending his good money to keep the Filipinos from breaking their fool necks with this bill.

If this bill is going to hurt the Philippines, what are you here for? If you really want to help us, pray do so in our way. I know this is not the spirit in which to pray, but we have not the faith to pray to you in any other spirit.

I was again greatly astonished at this countervailing proposition. I have not had an opportunity to find out the facts, but I do not believe the provisions of the Brussels convention extend to British colonies at all. I believe, I know in fact, that Russian sugar is being sold to-day in India, and also in Hongkong. I think we can well afford to take this risk, because I have always believed myself that the reduction in duty which we ask for will send a large part of our sugar to the United States, where there is and always will be a market for much more than we will ever grow. Of course the Chinamen will always buy some of our sugar in its crude state, and especially when the prices are low enough to suit his lean purse. I say so because they have the habit of doing so, and when a Chinaman gets a habit it takes about one hundred years to change it. But so far as sugar for refining goes it would certainly send our sugar here, and send the Hongkong refiners to Java or elsewhere for supplies.

If the trust is as powerful as our sugar friends claim, I do not see how they could hurt you worse by also getting us. I do not see how they could choke three of us worse than they now do two of us. So far as that proposition goes, if we still have the British colonies market, that is the only market we have now that amounts to anything, and we have still got Japan and her market. I think the sugar trust is a very dangerous enemy, but it is also a splendid ally. I do not know whether the lamb and the lion, the beet-sugar factory and the sugar trust, have lain down together; but unless all signs fail I should say they have, but whether the lamb is inside the lion or not is also doubtful. [Laughter.] As to whether or not the trust gets 13 cents of the Cuban reduction and the Cuban gets 21 cents, why does not the trust take it all? Would not that same difference have occurred if Cuba had no reduction? It is not a matter of merely paying Cuba enough to keep her from shipping to Europe. Should we expect the refiners of the United States to pay Cuba as much as they would have to pay to ship her sugar to Hamburg and back to them? Is it not a fact that Cuba never did get the Hamburg price, except when we were also buying large quantities of sugar from Hamburg?

If Mr. Willett is here, I would be glad to have you ask him if America ever paid Cuba the Hamburg price, and if so, why?

Again, referring to the labor cost in the Philippines for growing cane as compared with that for growing beets, I wish to say that it is in evidence that a Filipino cultivates $2\frac{1}{2}$ acres of cane, with some extra help of a man and a carabao doing the planting, manufacturing, and marketing. It is also in evidence that a beet farmer cultivates 5 acres of land, and gets one dollar and a half a day and

upward, while the Filipino gets 16 cents and up. I am quoting to you the substance of what Mr. Hathaway brought out. But there is another fact that he has evidently lost sight of, and that is that nearly all beet farming is let out by contract; the man—or the men, women, and children, rather—getting \$20 an acre for growing and harvesting the beets. This would mean, then, that 1 acre would require a man thirteen and one-third days at one dollar and a half a day. The Filipino works all the year and has some extra help; but we will be liberal and count only three hundred days, which he puts in on $2\frac{1}{2}$ acres, or \$19 an acre. So the labor cost per acre appears to equalize.

But let me show you another thing. Mr. Hathaway said that he learned that a carabao costs from \$75 to \$100. I am surprised that he got that straight, but he did. [Laughter.] The statement is about true—in spite of the fact that he said it. [Laughter.]

In the cotton States we are not willing to buy mules and horses and rent them to tenants or other farmers for less than 25 per cent of their cost, for risk, interest, taxes, and wear. In the Philippines I would not buy a carabao under the same conditions and rent it out for 40 per cent of its value. If the carabao there costs \$75, there is another \$30 charge on the hectare, or \$12 an acre, to be added to this cost. The milling expense, sacking sugar, hauling, and shipping would easily run the cost to over 2 cents a pound on the average yield of the country.

You can see from this that a low daily wage does not necessarily mean cheap labor. It would mean that if you could get efficient labor and still keep the wage down.

I want to remind you of another thing, and that is a well-known principle in manufacturing economics, that the larger your factory the cheaper your cost of manufacture per unit of production. The largeness and completeness of manufacturing plants will more than offset any possible labor or other saving in a very small plant.

If, then, it costs the small, Filipino mill man as much per pound of sugar as it does the beet-factory man, according to the beet-factory man's statement, then the manufacturing cost alone will be over $1\frac{1}{2}$ cents a pound on Philippine sugar. If the Filipino's cost is as great as the Louisiana sugar man claims his is, then the Filipino's milling cost is still $1\frac{1}{2}$ cents a pound. If the Filipino's whole cost is as little as you say, and your cost in the mill is as great as you claim, we had better get back to primitive methods of sugar making. I can show you every time, per unit of production, five Filipinos working in the Philippines factory for every American you can find in the American factories, so that the labor cost is not the thing.

That is about all I have to say. If anybody has any questions to ask I would be glad to answer them.

The CHAIRMAN. Do any gentlemen desire to ask him any questions? If not, that is all, Mr. Welborn.

STATEMENT OF MR. GEORGE BRONSON REA, OF MANILA, P. I.

EDITOR OF "THE FAR EASTERN REVIEW."

(For the bill.)

The CHAIRMAN. Gentlemen, we will now hear Mr. Rea.

Mr. Rea, please give your name to the stenographer.

Mr. REA. My name is George Bronson Rea.

The CHAIRMAN. How long have you resided in the Philippines?

Mr. REA. Two years.

The CHAIRMAN. And before that where did you reside?

Mr. REA. Thirteen years in Cuba as a sugar engineer and manager of an estate.

The CHAIRMAN. Were you engaged in the sugar business in Cuba?

Mr. REA. Yes.

The CHAIRMAN. In what capacity?

Mr. REA. In all capacities, from engineer up to manager of the estate. I was also representative of one of the largest sugar machinery houses in New York.

The CHAIRMAN. Go on and make your statement.

Mr. DALZELL. Before you go ahead, let me ask what business are you in at Manila?

Mr. REA. At present I am engaged in publishing an industrial and trade paper, called "The Far Eastern Review." It has a wide circulation all through the Orient. I am making a study of trade questions there. I went over there to go into the sugar business primarily, but conditions were not favorable, and instead I went into the newspaper business.

The CHAIRMAN. Go ahead.

Mr. REA. I want to be very brief in presenting this statement, and dwell upon one or two points which the opposition has pointed out strongly against us—the possible low cost of production in the islands and the effect it might have on home industries later on.

In placing before your consideration my reasons and arguments why the Philippines should be conceded the benefits of a reduction in the tariff as embodied in the Payne bill, I want first to take up and analyze the statements and opinions so glibly presented in opposition by our friends Major Gove and Mr. Hathaway.

The trend of their argument, if their private opinion may be dignified with that expression, is to the effect that the conditions in the Philippines as to labor, soil, production, and yield are such that, if permitted to develop, they will ultimately swamp not only the American beet-sugar industry, but also the cane-sugar industry of Louisiana, Hawaii, and Porto Rico, and seriously handicap the industry in foreign countries.

These gentlemen have appeared before this committee, after a brief trip through the islands, and posed as authorities on a subject which has been the bane of Congressional legislation for several years.

In a matter which so seriously affects the industrial development of the islands and the future of our insular possessions, it is only fair to presume that persons appearing before this committee should be qualified by experience to vent their views and opinions, especially where absolute data are lacking and where we have to rely on personal deductions.

Major Gove, one of the so-called experts who has regaled the committee with his views on the Philippines, was sent out to the islands to find out the truth about the situation. Now, it appears that Mr. Gove is a school teacher, a professor, or in some way connected with the educational department of his State, and has a fair knowledge of raising beets; yet without any previous training or knowledge of the cane-sugar industry he departs for the other side of the world to find out the truth about something he does not understand—something which has puzzled experts for the last ten years.

Mr. Gove, in his lack of knowledge concerning tropical agricultural conditions—you will remember that he wouldn't recognize a tobacco plant if he saw one—was distinctly handicapped when he set out on his journey, and doubly handicapped after his arrival by his ignorance of the language, which forced him to rely entirely on the garbled statements of native interpreters, who probably didn't know what he was talking about, anyhow. Yet the gentleman traveled around the islands, gathering ideas, information, etc., on which to base a conclusion. He was forced, through his ignorance of the industry, to accept whatever was told him, and this same inexperience prevented him from delving into and analyzing the things which he heard.

Yet Mr. Gove formed an opinion, and he comes before this committee to unbosom himself of the great discovery that the Philippines can produce sugar cheaper than any other place in the world, and if this bill passes they will produce it cheaper yet and swamp our home market.

Mr. Gove could not for the life of him get up here and explain by actual figures how this can be done, yet he takes up the time of the committee by telling it in so many words that he thinks it can be done. Not one single detail of cost has he put forward on which to base his deduction so that he can prove his assertions, yet he comes here as an authority and endeavors to sway this committee against the proposed bill.

We find in his companion, Mr. Hathaway, a gentleman of the same type. Mr. Hathaway, however, tells us that he went there in the guise of a promoter, to obtain options on lands, etc., and gather data for others who intended to start a sugar factory if his reports were favorable.

Now, do not mistake me in that I doubt the veracity of Mr. Hathaway's statement in regard to this, but it is fair to say that it is highly improbable that his mission was a serious one, for again we find that Mr. Hathaway is a beet-sugar man with no previous knowledge of tropical cane-sugar conditions, and whose opinion or report before a body of capitalists would be considered worthless. It is logical to presume that when capitalists seriously contemplate investing anything like a half to a million dollars in an industrial enterprise, especially on the other side of the world where they have to rely on expert reports, they will pick out a man who thoroughly understands that particular line of business. When the sugar people on lower Wall street want information about cane lands and the prospects of making an enterprise pay they don't select and send out a beet-sugar man, but look for the best cane-sugar expert available. Neither do they give a cane-sugar man a commission to investigate lands and

conditions in the beet districts. They get a beet expert to handle this matter.

Now, Mr. Hathaway also operated under the same handicaps as Mr. Gove, but with the further disadvantage that he represented himself as wanting to invest in sugar lands and erect a large factory. Now, you can imagine the kind of information he obtained from a bunch of planters, loaded down with debt and worked-out lands, all anxious to get in on the band wagon. [Laughter.] You can bet that human nature in the Philippines is exactly the same as it is here, only a little more so in that one particular; and lands that would grow 1 ton of sugar suddenly increased in fertility, without the application of irrigation and fertilization, to 3 and 4 tons, and prices of lands rose in proportion. Mr. Hathaway just reveled in the kind of data he was looking for, and swallowed it all. As some of the planters told me afterwards, he looked such an easy mark that we "tomo el pelo," or, in the English, "We took his scalp."

Now, if Mr. Hathaway knew anything about the cane-sugar business he could by simple observations have sized up conditions and seen when the statements were exaggerated. If he ever had any extended experience on a cane-sugar plantation he could, by riding round a cane field, arrive at a fair estimate of the tonnage; and similar knowledge of the mechanical equipment of the sugar house would enable him to know just how much sugar could be extracted. But Mr. Hathaway in his apparent ignorance of the most rudimentary facts about cane sugar accepted the statements rendered him, and was unable to analyze or digest them after he absorbed them.

Yet Mr. Hathaway also comes before the committee and says in effect the same as Major Gove. This may be called expert testimony, but, gentlemen, it would never be accepted by a body of business men as a basis for an investment. On its face it is absolutely worthless, and, taken together, the entire statements are the finest exhibition and collection of hot air that I have ever seen published.

We are not going into details in what I say, gentlemen, but we will take the general outlines. We are all tired of statistics.

They state, in effect, that sugar can be produced from a cent a pound down—the cheapest production the world has ever seen. Now, when we make a definite statement of cost, that cost is open to analysis, for it is made up of many items. To make such a statement one ought to be able to prove it by figures. There are many minor details which go toward making that cent or less, such as plowing, harrowing, drilling, planting, cultivating, cutting, seeding, hauling, milling, boiling, and other items; and when the assertion is made that sugar can be produced at a cost of a cent downward it requires elaboration.

Now, I may state for the benefit of the committee that I spent over a month in Pampanga and Negros devoting my time to ascertaining the cost of a picul of sugar, by following each stage of the work from the time the plow was put in the ground to the time the sugar was handed to the local market, and my investigations bear out the statements presented by Mr. De la Rama and others, that the average cost price, without including interest, loss of cattle, depreciation, etc., is about \$4 per picul, or, roughly, 1½ cents per pound, or, including everything, about 2½ cents.

The CHAIRMAN. Is that without any depreciation?

Mr. REA. Yes; without including that.

The CHAIRMAN. Sugar delivered where?

Mr. REA. In Manila, from Pampanga. It is the bare mill and field cost, delivered either at Manila or Iloilo. It is about the same thing from either place.

Now, when persons who admittedly know little or nothing about the conditions in the islands, except by hearsay, coupled to their inexperience with the industry, endeavor to inflict their private views before a committee of this standing, and in contradiction to the statements of those who should know what they are talking about, it is surely permissible to request that they submit an itemized statement of cost, bearing out their views, so that we can see whether they are right or not.

Now, I am intensely interested in this subject myself, and am desirous of finding out just how this low cost is arrived at. It must be remembered that the movements of all farm laborers, especially those employed in plowing, cultivating, hauling, etc., are regulated entirely by the sweet will of the frisky and swift-moving carabao. The carabao sets the pace, and when we stop to think about the time necessary to plow a field we can not calculate on harnessing up several horses and mules to a big disk plow, but have to take as our basis the pace of the carabao and his one little 6-inch plow; and if we add two or more carabao with the hope of making them go faster, they refuse to work together. [Laughter.]

Some of the gentlemen comprising the committee have seen the carabao on his native heath and admired the celerity of his movements. [Laughter.] People wonder why the Filipino is slow in movement, especially the countryman. If I may venture an opinion, I think that the natural development of centuries of following the carabao has something to do with the movements of the natives.

I think that for the full information of this committee our friends should be called upon to produce their figures on which they base this low cost of production. If it is permissible, I would like to have these figures now, as the gentlemen are present and must have them about their persons somewhere. If the honorable chairman will call for these figures, I will conclusively prove to the satisfaction of this committee that neither of the gentlemen referred to knows what he is talking about; or if they will take the standard wage of 20 cents per day and a yield of 1 ton to the acre and bring that cost down to less than a cent, I stand ready to hand them over \$100 for the information. If it is permissible before the committee, I would like to have the facts known. But they can not produce them, anyway. Neither Mr. Hathaway nor Mr. Gove can stand up and give you an itemized answer as to the cost of a picul of sugar. I would like to have that information now. I will give them a hundred dollars for it. It is worth that to me for an article. I can use that for my paper, and would be glad to pay it, so as to show the Philippine planters just how they can do it.

Mr. HATHAWAY. You will get it.

Mr. REA. And you will get the money, too.

Mr. HATHAWAY. I need it.

Mr. REA. But it must be made up of real figures, based on an actual calculation.

Now, gentlemen, it has been repeatedly asserted, though no definite figures have been placed in evidence, that if this bill is passed capital will be forthcoming, and under modern methods of cultivation and manufacturing the industry in the islands, like the pipe dreams of Colonel Sellers, will develop to such an extent and so rapidly that in about two years we will produce 10,000,000 tons of sugar. The production of the lands will quadruple, the ratoon crops will live forever, and the yield from the mill will be so great and the cost of production so low that the profits will be enormous. The bill, like Aladdin's lamp, will be sufficient for everything.

Now, in all the comparisons of the tropical cane-sugar industry made by the opposition great care has been maintained to take the most favorable phase of the industry in Cuba and Hawaii to show what can be accomplished in the Philippines. The following is a sample of this nature. It is a short quotation from my paper, *The Far Eastern Review*, which I have cut out [reading]:

PHILIPPINE SUGAR INDUSTRY.

In the Senate debate on the Cooper bill of December 16 Senator Dubois, of Idaho, a champion of the beet-sugar trust, made the following biased remarks:

"There are in the Philippine Islands some 72,000,000 acres of land, only 5,000,000 acres of which are in the possession of individuals or corporations. The other 67,000,000 acres are public lands, and, as a general thing, they are exceedingly rich for agricultural purposes. Some 50,000,000 acres of land in the Philippine Islands are susceptible to the highest cultivation, and this is especially so in regard to sugar. In Louisiana, in Texas, and in other favored spots of this country they have raised from 1 ton to 1½ tons of cane sugar to the acre; in certain other favored portions of our country they raise from 1 ton to 1½ tons of beet sugar to the acre; in Cuba they raise about 4 tons to the acre; in Porto Rico, about 4½ tons; in the Hawaiian Islands, 4 to 4½ tons, and on some plantations in Hawaii they raise as high as 10 or 11 tons to the acre, and the Philippine Islands are more productive for sugar than the Hawaiian Islands."

Mr. DALZELL. When were those remarks made?

Mr. REA. They were made on the 16th of December last year.

Mr. DALZELL. In 1904?

Mr. REA. Yes. This was taken from the Congressional Record. (Continuing:)

This is an excellent example of the tactics of the opposition, showing, as it does, the unwarrantable exaggeration of everything connected with the tropical cane-sugar industry and conveying a false idea of the possibilities of the Philippine yield. Broad, unqualified statements of this nature operate against us and are taken for gospel truth by the uninitiated.

The main points in the statement are fairly correct, although the figures are stretched to the fullest yield under the most favorable conditions and can not be accepted as normal or average. It is, however, the unfair comparison of the closing words of the paragraph to which objection must be taken. All tropical sugar lands under natural conditions—that is, without the aid of scientific fertilizing, cultivation, or irrigation—will produce an average of 2 tons of sugar to the acre, or rather 20 tons of cane. The best virgin lands will run about 4 to 4½ tons for the first two years, and then dwindle down to 1½ to 2 tons. It is true that on some estates in Hawaii 10 to 12 tons of sugar are produced from an acre of cane; but to state immediately afterwards, without any qualifying remark, that the Philippine Islands are more productive than Hawaii demonstrates a dense ignorance of the subject-matter or a willful attempt to distort the facts in favor of the beet-sugar industry.

The Hawaiian plantations producing 10 tons to the acre are very few, and to secure this phenomenal yield the most modern scientific methods are employed from the time the cane is planted until the sugar is turned out of the

centrifugals bagged for market. Fertilizing on a large scale is necessary, and the most elaborate and costly systems of irrigation are employed. It is a mooted question whether the increased yield compensates for the enormous capital outlay and operating expenses incurred. The irrigating plants alone are valued at more than the immense mill plants and cost more to operate in proportion to the power used. We have in mind a contract for the erection of a Hawaiian sugar house where the mill plant cost \$450,000 and the pumping plants for the required acreage \$550,000.

I just wanted to show the exaggeration of that statement, because all the arguments seem to be built on such air castles as those comparing our yield in the Philippines with the most phenomenal artificial yield in the world.

The CHAIRMAN. I understand that the yield at the Ewa plantation in Hawaii was between 11 and 12 tons to the acre.

Mr. REA. Yes; that is the Ewa plantation. But it is operated at such an enormous cost that one of the stockholders told me, "We don't know, Mr. Rea, whether it is profitable for us to continue along those lines or not." (Continuing:)

The Hawaiian plantation depending for its water upon the natural rainfall will yield the average of 2 to $2\frac{1}{2}$ tons of sugar per acre. To state that the Philippines are more productive than Hawaii, in comparison with the yield of 10 to 11 tons, is grossly incorrect, and even when we take the normal average under natural conditions of 2 tons to the acre, we are confident that the Philippines can not pass much beyond it except on virgin soils, and by virgin soils we mean cleared forests and not the grassy bottom lands.

Granted that the islands can produce 2 tons of sugar to the acre. To secure this yield the most modern machinery and mills must be employed. At present not 2 tons are produced.

This constant struggle of the home sugar industry to preserve the home market for its own tardy development appears to us somewhat like the little boy whose eyes were bigger than his stomach. It is a commercial impossibility for the beet industry to keep pace with the increase in consumption, let alone trying to hog the whole market. For several years we have heard the crying and yelling of the infant above all other sounds in the national legislative chamber. "Protect us from the bugaboo man in the Philippines!" has been the constant cry. "We can supply all the sugar needed for the home consumption if you will only put a high fence around the little brown ogre, so he can't eat us up." And the baby has been petted and given its sugar pap, and has clapped its hands and goo-goed in glee. But it has not made good.

Although the consumption of sugar in the United States increased over 500,000 tons in the five years from 1898 to 1902, the baby only contributed 100,000 tons to the increase. In 1900 the consumption increased nearly 90,000 tons over the preceding years. The "kid" contributed with 20,000 tons. The consumption nearly doubled in twelve years from 1890 to 1902, or, to be more exact, it jumped from 1,476,377 tons to 2,566,108, and the demand is steadily increasing. Of the latter figure only about 500,000 tons were produced in the United States; the balance imported.

To return to the question. I ask you, gentlemen, is it fair to compare the Philippines with countries lying on the other side of the world, and ignoring the differences in race, climate, and location? Because 10 to 12 tons can be produced by artificial stimulation in Hawaii, is it fair to assume that it can be done in the islands? Is it not a fact that only in a few places in Hawaii is this extraordinary result obtained, and is it not clearly apparent that it is due entirely to purely local conditions of soil and climate? If not, would not the same yield be secured in other parts of the same islands?

Is it not a fact that under normal conditions in Hawaii, without the aid of fertilization or irrigation, the yield per acre is about the

same as it is in other tropical cane-sugar countries? To assume that the same climatic and soil conditions exist in the Philippines as will yield 12 tons of sugar per acre, without the slightest attempt at experiment or investigation, and to stand up here in our national legislative halls and pronounce it a fact, is, in my mind, the limit.

I know that some of you will say that the climatic conditions must be the same, as the islands are just under the Tropics, the same as Hawaii and Cuba. But it don't follow, just the same. Why is it that hemp will grow only in the Philippines, despite the many attempts to force its growth in other nearby islands? Soil conditions can be chemically corrected by modern scientists, so that it can't be attributed to that cause, and we are left with the only logical explanation that the climatic conditions in the Philippines are peculiar to themselves.

The CHAIRMAN. That is the only place in the world where hemp will grow, that kind of hemp, the abacca?

Mr. REA. Yes.

Can our friends explain why it is that ordinary lands in Cuba will grow six ratoon crops and new virgin lands fifteen, while in the adjoining island of Porto Rico they only secure two ratoon crops and a lower tonnage per acre? Or why is it that in Hawaii, with all modern aids to cultivation, they can secure only two volunteer crops?

Gentlemen, I think I can safely take the stand that the climatic conditions in the islands are such as make it impossible to grow more than two ratoon crops, and these only on new lands in the interior, where the extra cost of transportation to the coast more than counteracts any benefits which might be saved in the cost of a yearly planting.

When our poetical experts of the opposition stand up here and state that 10 or more ratoon crops can be secured from lands in the Philippines they give voice to an opinion which has no foundation in fact, or any possible explanation to justify it in the future. Hot air, gentlemen, pure and simple!

Now, again, I will show to the satisfaction of the committee and to the satisfaction of any cane-sugar expert just why, under existing conditions, it is impossible to grow profitable ratoon crops in the Philippines, even if we allow that the lands could produce them. I don't suppose Mr. Hathaway or his friend noted these facts, for if they did and knew their business they would have seen what the trouble was immediately.

Now, in Cuba, where cane grows like a weed, and where they hold the record for ratoon crops, the cane rows are at least 6 feet apart and 3 to 6 feet between seed or hills.

You want to remember that, gentlemen. That is an important item. This gives ample space for the roots to spread and absorb nourishment from the soil. After the first cutting the root has a further chance to spread until it reaches its maximum. As all the mills are modern, employing green bagasse furnaces under the boilers, they have an ample supply of fuel from the crushed bagasse, so that in cutting the cane in the fields the green tops are cut off and left to lie on the ground. These tops form a carpet of several inches in thickness and are allowed to lie there and rot, fertilizing the soil, and by covering the ground as they do they help to retain the moisture and prevent the growth of grass and weeds.

This is one of the conditions which go toward assisting in the growth of profitable ratoon crops in Cuba. Now let us look at the fields in the Philippines, bearing in mind that the mills are of the crudest type and that the bagasse after milling has to be dried in the sun before being employed as fuel, and where they have to employ, in addition, the dried green tops also for fuel.

In the Philippines the system employed is to plant in rows averaging 3 feet apart, and some as near as $2\frac{1}{2}$ feet, and 1 foot between seed. You want to remember that, too. It is clearly apparent that the root has not sufficient space to expand in or sufficient soil to give it the necessary nourishment after the first year; and it also explains why the yield per acre is as low as it is. It also explains why in the few cases where rattoons have been grown they have had to be abandoned as unprofitable after the second year.

Now, that, gentlemen, is an explanation that I will hold up here, and stand for against any cane-sugar expert in the world.

Mr. CURTIS. Why can they not plant the crop there the same as in Cuba?

Mr. REA. They do not.

Mr. CURTIS. But if they did could they not get more crop?

Mr. REA. I think they might get two crops. I will come to that later.

Mr. CURTIS. I beg pardon.

Mr. REA. I am trying to explain the difference. Now, in cutting the cane for the mill, a man goes ahead cutting off the upper part of the cane for seed and carefully gathering all the tops and leaves. These are all carted to the factory, where the part for seed is cleaned and prepared for planting by immersion in water to cause the eyes to sprout a little, and the leaves are carefully spread out to dry for future use as fuel. Now, it is again apparent, under these conditions, when the field is laid bare to the sun that the moisture is more rapidly absorbed, taking it away from the new sprouts, and the grass and weeds given free rein to grow, thus necessitating the same amount of cultivation and hoeing as the initial crop. With the decreased yield per acre, owing to insufficient nourishment to the root, and the increase in cultivation, it will be seen that the saving in a ratoon crop is hardly sufficient to induce the Philippine planter to continue the practice.

It must also be borne in mind that these rattoons are only grown in the newer lands, removed from the coast; for in the older lands they not only can not grow rattoons, but are limited to one crop of cane every two years.

That is a point that the beet-sugar people have never dilated on here. They have never brought it to the attention of this committee that the average crop is grown every two years.

Mr. CLARK. Why is that?

Mr. REA. Because in many places the soil is so poor that they can not do it. In some places the soil is not a foot deep. I turned it over to see myself.

Mr. WILLIAM ALDEN SMITH. Suppose it was fertilized. What effect would that have?

Mr. REA. I do not think it would have any effect at all. The enormous rainfall would wash it out.

Mr. CLARK. Do these rains come all at once, or are they distributed somewhat evenly?

Mr. REA. They come along six months in a year pretty regularly.

Mr. CLARK. Do they have six months wet and six months dry?

Mr. REA. Yes; sometimes it rains for four or five days at a time, and it simply floods you out. In Manila you have to go around in a casco at times.

Mr. CLARK. What is a casco?

Mr. REA. A little dugout boat.

Now, a question arises here which the gentleman has asked me and which seems to bother many in the Philippines: Can Philippine virgin land grow more than one ratoon crop under an improved system of cultivation? I assert, gentlemen, that the question is one which must be left to time to decide.

Mr. CLARK. Why couldn't you find that out by inquiry? Surely some people have been there quite a long while, and some surely ought to be worthy of belief. Why can't you ascertain that from these people over there just as well as by staying there yourself?

Mr. REA. I could never find out that they got more than one ratoon crop.

Mr. CLARK. Is that your opinion, sir, that they can not get more than one?

Mr. REA. I think they might get two. That is my private opinion, based upon my observations as a cane-sugar man. I would like to be able to state that in my opinion they could get more, but, unlike our friends, I value my opinion and do not care to have it challenged later on; but if, instead of comparing the islands to Cuba, Hawaii, and other parts of this continent, we take a more liberal view and compare them with adjacent lands in the same part of the world, having the same general characteristics and geological formation and origin, a more common-sense idea can be formed of what the possibilities are.

Mr. WILLIAM ALDEN SMITH. You are giving your information as an expert?

Mr. REA. Yes. I have been in the sugar business for quite a while, and expect to remain in it.

Mr. CLARK. Suppose this land over there plays out, is there any way of restoring that land, as there is down in Virginia, by fertilizing and cultivating and sowing cowpeas, etc.?

Mr. REA. I do not know about that. It has never been tried there. It remains to be proven. Mr. Welborn can give us more light on that than anybody else. The Filipinos never use fertilizers. That is a question, however, that has got to be developed by actual practice.

Suppose we take a more liberal view.

Let us leave Cuba and Hawaii out of the question, and make our comparison with the Malay Peninsula and Java, which all belong to the same group and are washed by the same sea. The same race inhabits them, and in all general characteristics they are the same.

What do we find is the case in Java? Here they have no rattoons, but plant their cane once a year, and their average cost of production is about $1\frac{1}{4}$ cents per pound, or, despite the difference in location, climate, soil conditions, and cheaper wages, about the same cost

as obtains in the best-equipped centrals in Cuba. It will be seen that the advantage enjoyed by Java in having cheaper labor, as compared with Cuba, is entirely offset by the climatic and crop conditions, which force their planters to plant once a year instead of every six years as in Cuba.

Now, it is generally conceded that the manufacture of cane sugar is at its highest development in Java, leading the world in its mill and sugar-house results, though behind Hawaii in the development of soil conditions. In Java they have their forced-labor system, and also are free to import labor from China or India. In fact, all conditions there are ideal, but their cost is about the same as Cuba, or 1½ cents per pound. One and a quarter cents per pound for 96° sugar.

Mr. CURTIS. Ninety-six?

Mr. REA. Yes; 1½ cents per pound for 96° sugar.

Now, if we are going to deal in futures is it not more to the point to accept Java or the Straits Settlements as our standard of comparison? If in the dim and distant future capitalists can be induced to go into the sugar business in the Philippines, installing modern, up-to-date plants and equipments, is it not just to compare their probable results with what is being accomplished just across the Sulu Sea with a similar race and lands geologically and geographically similar?

Mr. BOUTELL. Have you been in Java?

Mr. REA. No, sir; but I am fairly conversant with the conditions there. I have correspondents in Java who keep me posted on conditions there.

The tendency in the Philippines is toward a higher rate of wages, and the wages, which now average 25 cents, will increase to the wages paid in the cities, or 50 cents. At the present time the average wage paid to the laborer in the Philippines is more than is paid to the Javanese. What is the sense in comparing us with the best results in Cuba or Hawaii?

Let me read you a recent clipping on this subject, which will shed more light on the subject. This appeared in the Louisiana Planter and Sugar Manufacturer of November 12, 1904. It is pretty nearly correct, because I compared that with data contained in other letters which I got, and which I published in my paper, from people who are interested in sugar whom I met at Hongkong and at Shanghai. This gentleman writes from Java. I would like to read to you half a column of this, because it is pertinent to the point I want to bring out.

Mr. WILLIAM ALDEN SMITH. What are you reading from?

Mr. REA. From the Louisiana Planter and Sugar Manufacturer, the official organ of the Louisiana sugar interests, under date of November 12, 1904. This correspondent says—coming right down to the point—he says [reading]:

So far I have not discovered trades unions in Java, and the contrast between wages here and in Australia is painful. It is difficult to find a man in Australia and New Zealand who is not making \$2 or more for eight hours' work. Here there are millions who are glad to get 20 cents for ten hours' work. It is only in the cities that the men receive as much as this. In the mountainous regions of the Preanger I saw men and women laboring for less than a cent an hour, and in the tea plantations the regular wages are 7 cents a day for six hours' work. On the railways the trackmen get 14 cents gold a day, and on the government farms they receive less. Here in Soerabaya some common laborers get 16 cents a day, and this is considered high wages.

I simply wanted to bring out that point of wages, because it corresponds with other data that I have secured on the subject. Now, it stands to reason, gentlemen, that the wage rate of Java will never ascend higher than it is at the present time.

Mr. WILLIAM ALDEN SMITH. On that point of wages you admit, if we are to have a domestic sugar industry, we will have to have protection against that kind of a condition?

Mr. REA. That all depends on the cost.

Mr. WILLIAM ALDEN SMITH. I do not want to interrupt you, but I want to know if we must not have protection against that kind of labor?

Mr. REA. No; I do not think you need it, according to statements already published by your people—by the beet-sugar people, I mean. Pardon me—

Mr. WILLIAM ALDEN SMITH. Those are my people.

Mr. REA. I say it stands to reason that the wage rate in Java will never ascend much higher than it is at present, for the population of the island numbers over 28,000,000, packed in an area of 50,000 square miles, while the Philippines, with an area of 122,000 square miles, has a population of only 8,000,000. I merely cite these figures to show that while we may look for an increase in the Philippine wage in the future, thus increasing the cost of making sugar there, as compared with our next-door neighbor, the wage in Java will undoubtedly drop lower, placing the Philippine Islands at a disadvantage; so that, when the experts of the opposition presume to come before this committee and state that with the passage of this bill and the reduction of the duties and under modern methods our cost will go down below 1 cent, they are talking without a thorough study of the subject.

Now, I am not going to finish this phase of my argument without giving the committee actual proof that what I am stating is correct, and what we may reasonably expect will happen in the Philippines under a system of modern culture and manufacture.

I think no one here will contradict me when I state that the Malay of the Straits Settlements or the peninsula is of the same race and nature as his brother in the Philippines, and we know from observation that his aversion to work is quite as strong. The Straits Settlements, for industrial purposes, are in a class by themselves. The ports are free and open, and they are not hampered by any exclusion laws. The planters there apparently have their pick of labor, but it is nevertheless a fact that, owing to the low rate of wages offered for work in the fields, the natives refuse to enter into the employ of the planters, and take to the more remunerative and less arduous work of the tin mines. The Chinese will not work for the wage offered, approximating 36 cents Mexican, or 18 cents gold per day, so the planters have to import their labor from India, under contract for three years, paying their passage both ways, and even then they find the labor question confronting them at every step.

Mr. CLARK. Will it interrupt you to ask you a question there? Is it true that all the American citizens in the Philippine Islands are clamoring for the Chinese coolies to be let in there?

Mr. REA. No, sir; they are not; none that I have met. A few of them may be who probably do not understand the situation.

Now, I would like to submit for the study of the committee the last year's report of the Perak Sugar Cultivation Company (Limited). This is a stock company with a capital of 350,000 taels with a par value of 50 taels each, operating under the corporation laws of Hong-kong. Its shares are listed on the Far Eastern exchanges, and their value at the last quotation was above par, or 68 taels. Their property is located at Perak, in the Straits Settlements, and consists of two sugar estates, one operating as a muscovado estate and the other equipped with a mill, evaporating apparatus, vacuum pan, and centrifugals, making centrifugal, or about 96°, sugar.

Their last report, dated November 1, 1905, which I received in Shanghai from the secretary of the company, states that the crop of centrifugal sugars from the Gula estate totaled up 39,485 piculs, for which they received an average net price of \$6.58 per picul, and the output of their Klompong estate, making basket, or brown, sugar, was 27,199 piculs, for which they received an average net price of \$3.89 Mexican. The total production of both estates was 66,684 piculs. The picul of China and the Straits Settlements is about 133 pounds, a little less than the Spanish picul of 137.5 pounds, or $5\frac{1}{2}$ arrobas, in use in the Philippines, which makes the total output 8,868,792 pounds.

On the next page of the report we find, from the statement of working account for the year: The cost of operating the estate and producing the above amount was 223,664 taels. The tael, or Chinese monetary unit, is equivalent to about 66 cents gold. So we find that it cost them \$147,618.24 to produce the crop, or approximately 0.017 cent per pound.

Let me read the details of this cost. They will interest you and will prove that there are other items in addition to mere labor which go into the cost of sugar.

They state here the working account for the season ending July 31, 1905. To general charges, the estate, 3,756.67 taels; Penang, 1,305.21 taels; Shanghai, 279.33 taels, making the general charges 5,349 taels, office charges. Then there are the launch expenses, 5,349 taels, the launch being used in going up to Penang; hospital charges, 10,908 taels; salaries, 36,346 taels; manufacturing expenses, 40,857 taels; labor, 82,024; upkeep of buildings, repairs and renewals, 17,983 taels; cultivation (manure, etc.), 19,796 taels; fire insurance, 3,367 taels; directors and officers' fees, less transfer fees collected, 1,858 taels; or a total cost of 223,664 taels.

You will note that the item under the head of labor is enormous, or about 35 per cent of the total; but this does not represent the cost of labor in the fields and factory, as that cost is taken up under its own heading. These 82,024 taels represent only the expense involved in transporting labor.

Turning over to the first page of one of the reports, we find under the head "Labor" the explanation and meaning of this. They state in this report:

Both estates have had a full supply of labor during the season to replace time-expired coolies; 605 new coolies have been imported, and, following the system adopted last year, a proportion of the cost of importation commensurate with the unexpired portion of their contracts has been carried forward as a charge on next season's accounts.

I have been informed by the secretary of the company that these laborers receive about 40 cents Mexican per day and "chow," which means food over there, or approximately the same as we pay in the islands to the same class of labor. We are getting down now to the point as to all this outcry about the Philippines, and to prove and bear out our assertion of cost as compared with the places in the immediate neighborhood. If we deduct the 82,024 taels from the total cost of 223,664 taels, we will get 141,640 taels as the cost of raising this sugar, providing the labor was on the ground. Thus we can see that with labor at 20 cents gold a day operating with modern machinery and a yield of 1.6 tons per acre the cost is about 0.011 cent per pound. These figures are given without adding in the interest, depreciation, etc.

This is a fair sample of the great bogey industry conjured up by the American interests to prevent the passage of this bill.

If you ask me as an expert what it would eventually cost, under a central factory system, to produce a pound of sugar in the Philippines, I should say 0.015 cent, or practically the same as in Java, Cuba, Hawaii, and elsewhere, and practically the same as it is now costing under the old antiquated methods in vogue. That is exclusive of interest charges, depreciation, loss of capital, etc. So when Mr. De la Rama or other gentlemen state that it now costs them 1½ cents, without interest, etc., they speak the truth.

Now, you naturally ask, why is it that with a modern mill extracting double the amount of sugar, and a possible increase in yield per acre—why does not the cost cut itself in half in proportion? It would, if the cost was all labor, as is now the case, but our friends forget that whereas the labor price remains the same, the cost of administration, engineers, chemists, sugar boilers, locomotive drivers, defecator men, filter press men, and the many other high-class technical and skilled assistants come into prominence and overshadow mere labor cost. You will note in the report of the Perak Sugar Company that the item of salaries amounts to 36,346 taels, or one-sixth of the total cost, and this only includes the manager and clerical and field staff, as the salaries of engineers and sugar boilers, etc., are included under the proper head of manufacturing.

I think I have demonstrated to the satisfaction of the committee what the probable result in the cost of sugar in the Philippines will come to ultimately, under the most favorable conditions, but it must always be borne in mind that just so sure as an industrial development takes place in the islands, just so sure will our wage rate increase. Before any action could be taken in building a central factory, or in a year or so, the wage rate will have nearly doubled, this owing to the commencement of work on railroad construction which will call for an army of labor. So conditions are bound to change, and to the great detriment of the sugar industry if relief measures are not given in the tariff.

Now, there is another point which I want to bring out before you to show what we might be able to do in the islands under the most favorable conditions, and comparing it with Java to prove my assertions.

The cost price of Java sugars, as stated, is about 0.0125 cent per pound on the wage basis of 20 cents Mexican or 10 cents gold per day, and a yield per acre of about 40 tons of cane or 4 tons of sugar.

Those are the best conditions, the cheapest class of labor, and the lowest cost of producing raw sugar in the world.

Now, Mr. De la Rama states that the average yield per acre is about 1 ton of low-grade sugar in the Philippines, in which he is borne out by the official census for 1902 (and I think that whenever we are in doubt we should take the Philippine census, because it comes pretty near being right), which gives the average of 2,800 pounds, or little over a ton, per acre as the yield in Negros. An estate operating under the muscovado system, or this process which we employ—

Mr. McCLEARY. That is unrefined sugar?

Mr. REA. Yes, sir; or with only one small mill and open-boiling pans secures on an average of 5 per cent in sugar on the weight of the cane. In Louisiana the percentage is $4\frac{1}{2}$, while in some parts of Cuba and the West Indies it will run up to $5\frac{1}{2}$ - $5\frac{3}{4}$, according to the density of the juice in the cane. This data, known to all engineers, is the only method of approximating the yield in cane per acre where no scales are employed for weighing.

So in the islands, where scales are unknown, it is apparent that the yield of 1 ton of muscovado sugar per acre is 5 per cent of the cane in the field, which gives us 20 tons of cane as the average yield per acre, and this not every year, but every other year. I think that is about right from personal observation. I have driven around the cane fields.

So with modern up-to-date machinery, nine roller mills and crushers, defecators, multiple evaporators, vacuum pans, crystallizer, centrifugals, under expert administration and chemical control, the best that can be secured is 12 per cent on the weight of the cane, though the average is 10 per cent. So that with our present soil conditions, producing 20 tons of cane per acre, the best we can hope to do in the future is to obtain 2 tons of centrifugal sugar in place of the present ton, as against 4 tons of sugar in Java. So if it costs $1\frac{1}{4}$ cents in Java with labor at 10 cents on a yield of 4 tons, it will cost more like 2 cents to obtain the same result in the Philippines with a yield of only 2 tons and granting the same wage rate. That is the kind of stuff these beet-sugar fellows want to get at. They ought to have brought it up long ago. If we raise this wage rate from its present stage of 20 cents to 50 cents our cost will go up in proportion. When I state, then, that the probable cost of making sugar under modern conditions will be about $1\frac{1}{2}$ cents, I am still taking long chances, unless we can materially improve the production of our fields, and in new regions this may be possible, but never in the older regions of Negros or Pampanga.

Now, I have cited the lowest cost of producing sugar in the world, under the most favorable circumstances. Will anyone please explain to this committee how it is going to be possible for the Philippine planter, paying 50 cents per day and a yield of 2 tons per acre, to compete with the Java farmer, whose forced labor by the government costs only 10 cents and his yield double that of the Philippine planter? Will anyone again state before this committee that the passage of this bill will result in the Philippines growing sugar at a cost of a cent a pound downward?

Now, I have finished that phase of the question.

The most important statement ever placed before this committee is here, and I want to submit it. I have a little pamphlet entitled "Should the United States Tariff on Philippine Sugar and Tobacco be Reduced?" and your name (addressing Mr. Palmer) is attached to it. You admit the authorship of it?

Mr. T. G. PALMER. I have not seen what you have. I wrote something with such a title.

Mr. REA. This pamphlet has this heading: "American Beet Sugar Association, office of the secretary, Ebbitt House, Washington, D. C." It is signed by your name. It is a printed pamphlet, which, apparently, was sent to the members of the association to get them together to urge Congress to defeat this bill.

The CHAIRMAN. What is the date of that pamphlet?

Mr. REA. December 29, 1904. It came to me through the mails in January of this year, and I have kept it ever since.

Mr. DALZELL. Is it a printed pamphlet? (See p. 275.)

Mr. REA. Yes, sir.

Mr. T. G. PALMER. I would be glad to have it go into the record.

Mr. REA. I have no objection. There is only one point I wish to emphasize, I do not think the committee has time to listen to all the rest. I do not think you care to have it all read. What I am going to read is a sufficient answer to all the arguments that have been brought forth by the beet-sugar interests in this country in opposing this bill. On page 25 of the pamphlet, the paragraph entitled "Future Cost of Production of Sugar from American Grown Beets," Mr. Palmer states:

I take it that further Philippine tariff reduction is likely to come in due course of time, but it should not come until the Philippines greatly raise their wage rate on sugar haciendas and become at least semicivilized, and until the brains and capital already engaged in the home industry, and which will come to it under favorable circumstances if let alone, enable us to perfect the various improvements now under way.

Mr. Palmer starts off by assuming that this tariff reduction has got to come.

Two years ago I wrote you at length concerning my suggestion of producing single-germ seed. The work was begun immediately by the Government, and the first crop of seed from beets grown from 2,500 selected single-germ beet balls has just been harvested. I understand that 30 per cent of this seed came single germ, and the expectation is that in four to six years more it will be an established thing—

Just keep that length of time in your minds—"In four to six years it will be an established thing;" one year has already gone by—saving the farmers \$6 per acre of actual labor, eliminating the hand work of thinning on hands and knees, and at least doubling the tonnage per acre on account of no injury being done to the remaining beets by hoeing out the superfluous ones, each plant standing 1 to 3 inches apart, depending upon how closely the seed is drilled in. If the sugar beets which the farmer now sells to the factory at an average price of \$5 per ton costs him \$3.50 per ton to produce, his crop grown from single-germ beet balls should not cost him to exceed \$1.50 per ton.

The Government has taken charge of the scientific work of one of our large sugar-beet seed farms in the State of Washington, and expects to be able to produce a strain of seed as high in sugar content as the best beets selected at the outset, which is 25 to 28 per cent. These mother beets should give factory beets of 23 per cent sugar, and with a loss in extraction of 3 per cent would enable the factory to turn out 400 pounds of granulated per ton of beets. According

to the Government report on the home-sugar industry for 1902, the average amount of sugar extracted per ton of beets was 221 pounds; hence this anticipated extra production of 179 pounds would nearly cut in two the present factory cost of producing sugar from American-grown beets.

Doctor Wiley, Chief of the Bureau of Chemistry, Department of Agriculture, is to experiment this coming month with sugar "concrete," and if successful, each factory, by increasing its investment 25 per cent, can operate three near-by concrete plants, shipping in the "concrete" to the main factory after the local campaign has been concluded, and thus operating the year through and quadrupling its product, which would greatly lessen the cost of production.

Experiments are being made this year with an invention designed to remove the impurities of the juice at the outset instead of from the waste molasses after coming down through all the various processes, the inventor claiming that it will reduce the cost of a beet-sugar plant by 50 per cent, the labor to operate it by 33½ per cent, yield an average excess of 20 pounds of sugar per ton of beets, besides saving several valuable by-products.

All these matters lead to an eventual cost of production of granulated sugar from American-grown beets of something like 2 cents per pound, but it takes not only money and brains to perfect these improvements, it takes time.

We have the time in four to six years. Now, as all this discussion is hinged on what the possibilities of the industry in the Philippines will be in about the same time, or in the next few years, it is clearly apparent from Mr. Palmer's statements that the beet-sugar industry, producing granulated sugar at 2 cents, needs no protection from the raw product of the islands, which, under the most favorable circumstances of soil, crop, and yield, with modern mills will cost, landed at Iloilo, about 1½ cents per pound. Add 0.003 freight and insurance, 0.0042 duty, and we have 0.022, to which must again be added the cost of refining and refiner's profit, or something like 3 cents a pound, before it can compete with the 2 cents cost of the home article.

Mr. T. G. PALMER. That is single-germ seed.

The CHAIRMAN. We will hear you afterwards, Mr. Palmer. Mr. Rea can go on now. Proceed, Mr. Rea.

Mr. REA. Mr. Palmer continues:

We can offer the Philippine Islands a perpetual market for nearly \$200,000,000 worth of purely tropical products annually. But whatever magnitude their sugar industry may reach, those who put their money into it will some day be compelled to fight a battle royal with the educated, scientific American farmer, which will be costly for both and ruinous for one. Never in the history of the world has the nervous energy of the Temperate Zone succumbed to the listless workers of the Tropics, and it remains to be seen whether or not the sugar industry is to furnish the exception. Wise legislation would render such a battle unnecessary and with profit to all concerned. Unwise legislation will surely precipitate it and bring want and sacrifices to both.

Elaborating this further, Mr. Palmer says:

A Philippine tariff reduction at the present moment would check all growth of the industry and perhaps result in its complete and early ruination, the bulk of the loss eventually falling upon the farmers. If left alone as at present and given a chance to develop, a few years hence the home industry can snap its fingers at tariff schedules; the American people will be purchasing their sugar at the lowest price known in the world, and every dollar of the \$140,000,000 they now annually spend abroad for sugar will be kept at home and will come back to them.

There is one thing you want to stop and think of—to get clearly in your minds—that the beet-sugar people within a few years are going to produce refined sugar inside the tariff wall at 2 cents a pound. Stop to think what is going to happen to the rest of the world. It costs Mr. Havemeyer and the big refining industry 2 cents

a pound to purchase raw sugar. Add 1.68 cents a pound duty and the cost to refine and the profit, the refiner can not handle sugar for less than $4\frac{1}{2}$ cents a pound. When beet sugar goes down to 2 cents a pound what is going to happen to the refineries? You will have them down here yelling for free raw sugar, and cause the whole protection edifice to tremble. What is going to happen to the Louisiana people? What is going to happen to Hawaii and Porto Rico? They have all got to go out of business, because they can never compete with the price of 2 cents a pound. Cuba can not compete with that price, and what will happen down there? You will have a revolution on your hands. If they do not revolt, the American sugar interests will put up a couple of hundred thousand dollars and see that they do revolt.

Mr. DALZELL. If the rest of that pamphlet is as patriotic as that you read, I think we should have it all in the record.

Mr. REA. There is more of it and there are other items of interest.

Mr. DALZELL. I think that the whole of that pamphlet had better be put into the record.

Mr. REA. Very well, it can go in the record. (See p. 275.)

You all probably know what the effect of a 2-cent beet-sugar rate is going to have on all the rest of the home sugar interests. What will happen to Havemeyer, Hawaii, Louisiana, and Porto Rico, and what is going to happen down in Cuba? Do not forget the troubles down in Cuba. Any great disturbance on the sugar market is going to breed internal disorders and force armed intervention, and you will have to take the island over on your hands.

Mr. CLARK. As to Java, did I not understand you to say that the Government makes the people work over there?

Mr. REA. Yes, sir.

Mr. CLARK. And makes them work for 10 cents a day?

Mr. REA. I put it at 20 cents a day. I know that to be a fact.

Mr. CLARK. How much does the Dutch sugar farmer pay?

Mr. REA. Twenty cents Mexican.

Mr. CLARK. That is 10 cents of our money?

Mr. REA. Yes, sir. I know they make sugar there for $1\frac{1}{2}$ cents a pound. That is the average cost of production in the island of Java.

Mr. McCLEARY. That is unrefined sugar?

Mr. REA. Yes, sir. Our refineries get a chance at that.

There are one or two more points which I would like to bring out. Figuring on the probable increase in our crop in the Philippines within, say, four or six years, I want to say that it would be a mechanical impossibility to draw up the plans, contract for the machinery, build the machinery, ship it to the Philippines, and put a good modern plant in operation in less than three years. Every one of these gentlemen knows that it could not be done. It is an impossibility. Provided they have the land or have options on the land already, and if they started right now it would take them three years before they got the plant in operation.

Mr. CLARK. Suppose they take a wild piece of land that has never been cultivated—the timber has never been cut off—and undertake to make a sugar plantation there, how long would it take to get the first crop off of it?

Mr. REA. Three years.

Mr. CLARK. Why would it take any such length of time as that?

Mr. REA. In the first place the trees have to be cut down and then burned off and sufficient acreage planted the first year to have seed to plant the greater acreage for his main crop.

Mr. CLARK. Why can not he buy the seed?

Mr. REA. It would be difficult to purchase, besides it will take at least two years to build this machinery.

Mr. CLARK. Where were you raised?

Mr. REA. In New York.

Mr. CLARK. You take in the timber country out West—and it is true, I presume, in the East—the first year they skin off the timber and the next year they put in a crop. What is the reason they can not do it there?

Mr. REA. There is the machinery to be installed.

Mr. CLARK. You do not need any but the ax.

Mr. REA. You asked me how long it would take to start a modern plantation there?

Mr. CLARK. How long it would take to skin off the timber and start the first crop?

Mr. REA. About eighteen months for any extensive area of land.

Mr. WILLIAM ALDEN SMITH. The sugar land is not timbered land, is it?

Mr. REA. What the people call "sugar land" is not timbered. If I were going into the sugar business in the Philippine Islands, I would buy timber lands, and I think in our experience in Cuba after the war sugar men gave the go-by to the old worn-out lands in Matanzas and Habana provinces and went to the eastern end of the island and bought new virgin lands covered with forests—at least the gentlemen I represented. We had a large contract with Mr. Havemeyer for the erection of a sugar mill.

Mr. CLARK. You could not raise but one crop in two years, because the land was not rich enough?

Mr. REA. Yes, sir.

Mr. CLARK. How does it help the land any to give it a rest for a year?

Mr. REA. It gives it a chance to recuperate.

Mr. NEEDHAM. How much did you have to pay for that sugar land in Cuba?

Mr. REA. I do not think I am at liberty to say what we bought it for, but I can state that lands can be bought for less than \$5 an acre. It has been repeatedly urged that immediately on the passage of this bill the American capitalists are going over into the islands, down into the island of Negros, and buy up those old worn-out sugar lands, which their owners hold at \$40 or \$50 gold per acre. That is their assessed value. Is it reasonable to suppose that sugar men will buy that land when they can go down to Cuba and secure the best lands in the world for \$5 or less an acre? I know it can be bought in Cuba for that price and is being bought now, while in the Philippines if we can induce any of our capitalists to go out and buy the absolutely virgin land in some of the near-by islands it will take time to develop it—at least four or five years.

Mr. Palmer spoke about the great fertility and possibilities of the island of Mindanao. I do not know whether Mr. Palmer knows it or

not, but our labor question in Mindanao is very acute and, as a matter of fact, we can not get the Filipinos—that is, the Christian native—to go down there and work. The Mindanao Moro has a very effective method of dealing with his Christian brother. They do not migrate down there and you can not induce them to.

The CHAIRMAN. There is a very strong prejudice and there would be a war in a minute.

Mr. REA. The war would be one-sided, to the detriment of Filipino labor.

The CHAIRMAN. There would not be any more Filipino laborers?

Mr. REA. No, sir.

Mr. CLARK. Perhaps we had better send them all down there; I do not know.

Mr. WILLIAM ALDEN SMITH. How long have you been in the Philippines?

Mr. REA. Two years.

Mr. WILLIAM ALDEN SMITH. Where were you before you went to the islands?

Mr. REA. In New York, and previous to that I spent four months in Porto Rico helping to make contracts for the location of a large sugar factory there. Previous to that I represented Mr. O. B. Stillman in Cuba as his manager. He is one of the largest cane-sugar men in the island. He has offices in New York and in Habana, and also represented the Havemeyer interests in Cuba. He is general manager of the Trinidad sugar plantation, one of the largest in Cuba.

Mr. WILLIAM ALDEN SMITH. What is your business in the Philippines?

Mr. REA. I am publisher of the Far Eastern Review, published in Manila.

Mr. WILLIAM ALDEN SMITH. That paper is for absolute free trade between the Philippines and the United States?

Mr. REA. Yes, sir.

Mr. WILLIAM ALDEN SMITH. You are a free trader yourself, are you not?

Mr. REA. I am like Mr. Welborn. I believe in good protection occasionally.

Mr. WILLIAM ALDEN SMITH. But on general principles you are a free trader?

Mr. REA. No; I am a Republican and a protectionist.

Mr. WILLIAM ALDEN SMITH. Your paper advocates free trade?

Mr. REA. Yes, because it is just. It is justice to the Philippine planter and to your fellow-countrymen who are out there doing their country's work trying to educate these people, and who are bearing the brunt of the struggle. They should be given fair play.

Mr. REA. Yes, sir. I am a newspaper man and receive all the newspapers. I have read these things and know what was said. Give us a square deal. That is the only thing that one American can ask from another.

Mr. HILL. You said that you had been several months in Porto Rico. Do you know of any reason, from your experience in both countries, why the United States should not extend equal treatment to both countries?

Mr. REA. I see no reason whatever.

ADDITIONAL REMARKS OF MR. WELBORN.

(Also pages 203 and 273.)

Mr. WILLIAM ALDEN SMITH. I would like to ask Mr. Welborn a few questions. You say that it has taken the sugar-beet industry fifteen years to obtain its present output?

Mr. WELBORN. Yes, sir.

Mr. WILLIAM ALDEN SMITH. And you draw the conclusion that it would take the people over in the Philippines an equal length of time, perhaps, to get upon a reasonably prosperous basis?

Mr. WELBORN. I did not draw any direct conclusion.

Mr. WILLIAM ALDEN SMITH. Do you know, as a matter of fact, that in Michigan there is a large number of beet-sugar factories today and there was none prior to 1889?

Mr. WELBORN. I did not know that, but I have a recollection—I looked this matter up—that the beet-sugar industry was thriving many years before and that it has been steadily growing for about fifteen years.

Mr. WILLIAM ALDEN SMITH. But it is only fair to say that the movement is rather a recent thing?

Mr. WELBORN. Yes; about fifteen years, as I gather from reading.

Mr. WILLIAM ALDEN SMITH. But is that true as to Colorado and Michigan?

Mr. WELBORN. I am not particularly familiar with the conditions there, but you mention sixteen years for Michigan.

Mr. WILLIAM ALDEN SMITH. What was your business before you became identified with the Philippine government?

Mr. WELBORN. I was a college professor and later a cotton planter.

Mr. WILLIAM ALDEN SMITH. What position do you hold in the Philippine administration?

Mr. WELBORN. I am the director of agriculture.

Mr. WILLIAM ALDEN SMITH. By whom were you appointed?

Mr. WELBORN. I was appointed by the Philippine Commission, or the governor-general of the Philippines, and the appointment was approved by the Philippine Commission. I do not know just what the machinery is.

Mr. WILLIAM ALDEN SMITH. You hold that position still?

Mr. WELBORN. I have a higher position now. They found that I was a great deal better man than they thought I was. I hope next year that they will know still more about me.

Mr. WILLIAM ALDEN SMITH. As a matter of fact, you are in favor of free trade between the United States and the Philippines?

Mr. WELBORN. Oh, yes.

Mr. WILLIAM ALDEN SMITH. You are in favor of free trade everywhere?

Mr. WELBORN. No, sir; I can not say that.

Mr. WILLIAM ALDEN SMITH. Then you have been a free-trader most of your life?

Mr. WELBORN. Perhaps I voted with a party that leaned that way.

Mr. WILLIAM ALDEN SMITH. Have you not been a free-trader and a critic of the Republican policy of protection? If you do not care to answer, I will waive the question. I do not care to embarrass you.

Mr. WELBORN. As a matter of fact, I have always accepted protection as a settled principle, and have thought rather well of it as a national policy.

Mr. WILLIAM ALDEN SMITH. But you are a free-trader in practice?

Mr. WELBORN. No; not at all. We consider that the Philippines have about the same rights as Porto Rico and Hawaii.

Mr. CURTIS. What is the attitude over there in regard to the admission of Chinese to the islands?

Mr. WELBORN. So far as I know, from such opinions as I have heard, we should have the same labor laws as the United States. Hawaii, and Porto Rico, and the same tariff laws as well. That is certainly consistent.

Mr. CURTIS. At the meeting at Manila was it not the almost unanimous opinion of the Filipinos that they did not desire it?

Mr. WELBORN. The Filipinos are afraid of the Chinese. The statement made then was that they did not want the Chinese there; but it would certainly be inconsistent, gentlemen, for us to ask to be put on the same tariff basis and at the same time not be willing to be put on the same labor basis.

STATEMENT OF GEN. LUKE E. WRIGHT, GOVERNOR-GENERAL OF THE PHILIPPINE ISLANDS.

(In support of the bill.)

Mr. WRIGHT. The chairman has informed me that this hearing has already taken up very much more of your time than you can very well afford to give, and it is not my purpose to advance any argument which has already been made by the gentlemen who have appeared here in behalf of the passage of this bill, nor do I expect to go into any detailed examination of the various estimates as to the cost per pound at which sugar can be produced in the Philippine Islands, for two reasons: First, you have heard the opinion of an expert; and, in the second place, I am not an expert. I suppose it is fair to say that when doctors differ it is permissible for a layman to express an opinion. There has undoubtedly been very great conflict of statements as to the wages in the Philippine Islands and the efficiency of the labor in the Philippines as compared with the United States.

There are, however, a few fundamental facts which have appealed to me and which I ought to mention to you. The first is that the people engaged in raising sugar in the Philippine Islands are practically in a state of despair at this time. I know that they are mortgaged to the point where it impossible for them to get any more money. I know from personal conversations with the managers of the Hongkong Bank, the Chartered Bank, and other large concerns which are in the habit of advancing money to sugar planters to raise their crops that they now refuse absolutely to lend them a dollar. In some instances the mortgages on sugar estates have been foreclosed, but in a large majority of instances they have not been sold out, because the mortgagees see no advantage in taking over the land and prefer to have the mortgagors remain in possession and keep the places in some sort of condition.

Now, we can not get away from that. As to the moral side of this question, I do not intend to speak beyond saying this, that when

President McKinley sent Secretary Taft and the Philippine Commission to the islands he sent them there with certain injunctions, which we have endeavored to comply with, and among them was the one to educate, build up, and develop that people. Now, we have introduced American school-teachers there. We are trying to educate them. We have introduced American methods there in the administration of government, and I hope I may say without the imputation of egotism or vanity we have tried to give them an honest and economical administration; but it has always been perfectly obvious to me, as I think it has been to Secretary Taft and my colleagues, that it was idle to hope to accomplish anything of a substantial character in that direction so long as the great majority of them were miserably poor and absolutely without opportunities to better their fortunes. What is the use of giving a man an education when he can not put it to practical use?

My judgment is that unless you are really going to develop the resources and improve material conditions in the Philippine Islands you had better leave them alone, just as they are, because it seems to me self-evident that when you educate a man and show him the possibility of better things and yet take away from him opportunity you make him a dangerous man and a bad citizen. Therefore I have believed that, perhaps, our paramount practical duty was to raise the scale of wages and the scale of living and widen and broaden the horizon of the people.

It is always more or less embarrassing to talk publicly about people with whom you are in personal and official relations, as I am. What is said goes back to them and injures their pride to some extent; but the real truth must be told, and in order that you may understand the situation I will understate very much more than overstate conditions. The great mass of those people to-day are in a state not only of ignorance, but they are in a state of industrial dependency and depression.

What Mr. Hathaway said about peonage is to some extent an exaggeration now. No doubt in the past it was literally true. Under the Spanish régime the great mass of the people were as completely under the control of the principal men of the islands as the peons of Mexico. They had a system of laws which practically carried the debt of the father over to the children and which imprisoned the laborer if he attempted to leave his employer without working out his debt, which he rarely, if ever, did. Those are simple truths. The American administration has changed that state of affairs so that the proprietor no longer has any legal control over his dependents. The latter are beginning to understand that they have the rights of free men, but that knowledge is of no value to them. It simply makes them discontented and unhappy, unless you give them an opportunity to earn something.

Now, that applies, of course, to the labor of all the islands, not only to agriculture, but to every other form of labor in the islands, especially, however, as to tobacco and sugar, which are the immediate subject-matters of investigation. The tobacco raisers are confined practically to the provinces of Cagayan and Isabela, in northern Luzon, in what is known as the Cagayan Valley. It is a great valley, watered by the Cagayan River. The lands are periodically enriched by the overflow of the river, but the population is not great. It is

very remote. It is a journey of two weeks, possibly, from Manila to the capital of either of these provinces under the most favorable conditions and frequently it takes a month if winds and tides happen to be adverse. The principal crop of the inhabitants of these two provinces is tobacco. The fact is that the tobacco which they raise is not very much more than enough to meet the local demand in the islands. There is a small export of that tobacco in the form of cigars which goes to Europe. The tobacco manufacturers in the Philippine Islands are not particularly anxious to have free-trade with the United States. I think, Mr. Chairman, you will recall the fact that you did not have any tobacco manufacturer come before you while in the islands.

The CHAIRMAN. They did not think it would be a good thing.

Mr. WRIGHT. I have talked with several of them about it. They are very frank in saying that if we have free trade with the United States it would be a good thing for the whole country in a long run, as it is going to raise the prices of wages to the tobacco growers and they will have American competition in the market for the purchase of their raw tobacco. As it stands now the manufacturers, who are few in numbers, practically fix their own prices in purchasing from the small farmer.

A few weeks before I left the islands two delegations came to Manila, one from each of those provinces, stating that the prices which they were being paid by the manufacturers were ridiculously inadequate, did not enable them to scarcely more than live, and asking the Philippine government to advance them money to live on so that they could hold their tobacco and break the combination. We could not do anything like that, but it illustrates the situation. What we hope to do with this legislation is not so much to send any considerable quantity of tobacco to the United States from the islands as to make it possible for the people engaged in its production to get a better price for their crops.

Now, a word more as to the situation of the sugar planters and their employees. The proprietors pay very low wages, but even with this apparent advantage they are not making money. They did make some money last year, but it was a very exceptional year, as the price was exceedingly high—more than double that of recent years—brought about the Brussels convention, which resulted in the abolition of bounties for beet sugar in Germany and other countries in Europe, and a supposed decrease in production. But the event has shown there was no substantial decrease, and the price has practically gone back to where it was before. The Manila and Iloilo merchants who bought Philippine sugars at high prices have lost heavily. Some of them, I understand, have shipped a part of their purchase to the United States, hoping to get the benefit, doubtless, of any law you might pass reducing the duty on sugar. Those men have nearly been ruined, are in a state of suspended animation, and very nearly dead. Those are simple facts. So much for the shipment of sugar from the islands to this country, which has been the subject of comment and which, with this explanation, may be dismissed from further consideration. Now, as to the ridiculously small wage paid by the planters, about which much has been said, I agree that their condition is lamentable. Before any real prosperity or growth can come to them they must be in position to earn more and live better.

But in breaking the chains which have heretofore bound them to their masters we have done them no real service unless we give the latter at least some part of the advantages of our markets so that they may pay their labor at least a living wage. Until we increase the price of labor in the Philippine Islands there will be no general prosperity and no real development there, and that to my mind is the chief motive of our existence there and the justification of our being there. It is impossible to elevate the great mass of the common people of those islands, and until you have done that all the discussion we hear about the future of the Philippines and their relation to the United States seems to me not only academic but harmful, both here and there.

It was said, I believe by Senator Newlands, that it is generally conceded that the United States got a "gold brick" when it got the Philippine Islands. I do not agree in that view; but even if it be true, it furnishes no reason why, when we boast of our benevolent and disinterested motives in being there, we should hand the "gold brick" out to those people, and just so long as you make these discriminations, so long as you treat the Philippines not as a part of the United States, not as American territory, but the territory as foreign and the people as aliens, just so long is it idle to hope to do any real good for them, because you have to convince them by practical acts of kindness that you mean what you say. When you give them navigation laws which increase their freight rates, when you give drawbacks to American purchasers of their hemp, thereby imposing a burden upon Filipinos, and when you build up tariff walls against them and treat them differently from what you do Hawaii and Porto Rico, such acts as those give the lie to our operation of disinterested and benevolent purposes.

In short, I submit there should as an act of simple justice be free trade between the islands and the home land as soon as possible.

Mr. McCLEARY. What about revenue for the Philippine government if the tariff be all taken away?

Mr. WRIGHT. I do not mean that it should be taken away at once. It could not be, because we have a treaty with Spain which would mean free trade everywhere, and that would cut off our revenue, but I think we can ultimately, when the time comes, through a system of internal-revenue laws, properly administered, raise revenue enough to support the insular government with proper economy and not ask you for anything.

Mr. McCLEARY. That was one purpose of my question. The other was, the retention of the revenue was not directed against them, but for them—that is, to furnish revenue for them. The intention of the retention of whatever tariff may be retained had their country in mind.

Mr. WRIGHT. We are perfectly convinced that this Congress and the people of the United States as a whole mean well by the Filipino people. I think they are in good faith endeavoring to carry out the beneficent plans of Mr. McKinley, but good intentions, it is said, pave a certain country that is warmer than the Philippines, and I submit that the practical way to show your good intentions is really to give them a "square deal."

Just one more word. I feel I am trespassing upon the patience of the committee even in addressing you, but this is a subject about which I have felt very deeply, and I therefore offer that as my excuse for speaking further. The idea that if you give absolute free trade, and certainly if you give them the very moderate benefits which this bill contemplates, you will endanger any American industry is absolutely without any foundation for its support. These gentlemen who see in the immediate or dim future Philippine tobacco and sugar flowing into this country in such quantities as to ruin domestic producers are simply frightened without the least cause for it. It is simply impossible, gentlemen, for you to imagine, without having come in actual contact with it, the force and strength of habit and custom as it exists among the Filipino people. I think Mr. Secretary Taft will bear me out in saying that some of the very best laws which the Commission has enacted, and which would not provoke discussion here for a moment, have been received by them with wailing and gnashing of teeth simply because it was opposed to what they call "custumbe." They could not understand it. It was not what they were accustomed to. We found even that in introducing our public school system many viewed our action with suspicion because it was an innovation, and, as they said, put fool notions into the heads of the plain people, although I am glad to say they later have eagerly seized the opportunity offered them.

Now, when it comes to breaking up an established industrial system it is the work of years. I remember after our great civil war in the South, when the old system was uprooted suddenly and violently, how immensely difficult it was to change from the old methods to the new, and how slow was the process. Notwithstanding that the southern people, living in the Temperate Zone, were educated and indoctrinated with all the traditions of the Anglo-Saxon, it was many, many weary years before they reached the point where they could see the dawn of prosperity. It was a horrible, weary struggle. How can it be expected, when we come to deal with the Filipino, living as he does in a tropical climate, slow to change, viewing with suspicion every new proposition presented to him—how can we expect in a decade or even a generation to convert him to up-to-date methods? Why, it is ridiculous to talk about it.

I know that the Secretary and his colleagues all thought when we went over there that we would finish the work in the islands in eighteen months or two years and would come home. We have not gotten through the rind of the problem. We have made a beginning, and we can see encouraging signs that the mass is being leavened and the augury of better things, but that is all. I do not mean to tell you that the islands as a whole are in a state of industrial ruin. That is not true. The islands are slowly righting themselves and are making a substantial if gradual advance. Last year our exports were \$2,500,000 in excess of the previous year. Our imports fell off slightly, but the falling off was much more than represented by the falling off in the import of rice, which is the principal food supply of the islands. In other words, they imported \$4,000,000 less of rice than the year before. They are now taking off a rice crop which, I am informed from a good many sources, will cut down again one-half the rice imports, and possibly more than that, so that they will nearly or quite

raise their principal food supply at home this year. All this means advance, but it is slow.

So far as the sugar industry is concerned, that is in a terrible state. Now, you may say, Why don't they go at something else? They can not go at something else. For better or worse, they must remain rooted to the soil and their present vocation. It has been already stated—and I shall go over it again, as it is well to keep that fact in mind—that it would take, at the best, several years to introduce, even with all sorts of pressure, the modern methods of agriculture in the sugar industry or any other industry in the Philippine Islands. How would it be done? We have been trying with a substantial bonus for a long time to get capital to come over and build railroads. Have we done it? The bids that have been offered are simply bids for certain portions of the islands which are densely populated and where they can see that they will make a profit from the beginning. It is but the simple fact to say American capital and foreign capital generally do not find the Philippines quite as inviting a field as many men imagine it to be. The Filipinos therefore must depend, at least largely, upon their own capital and resources, and perhaps it will be just as well in the long run that it should be so.

If we were to increase the sugar output at the rate of 100,000 tons a year, which is impossible, beginning with three years from now, it would not meet the increased demand in the same period here in the United States and would leave the situation relatively just what it is now—that is, with a large foreign demand which could only be met from abroad and upon which a large tariff duty is paid. It is therefore utterly impossible that any real harm can come to the sugar interests of the United States, and it is on that ground that I appeal to these gentlemen who represent the beet and cane sugar industries to support the pending bill. I do not complain that a man follows a line of intelligent selfishness; that is natural enough; but I do object to what I may without disrespect term pig-headed selfishness. There is no ground for the alarm which seems to exist. I was looking over not long since a table showing the annual exports of sugar from Hawaii from the first to the past year, and I saw that it has taken them fifty years to build up their sugar industry to the present point. It is necessarily a slow business.

Yet in Hawaii the American missionary and the Americans generally have been in charge of things during that entire fifty years. They have had no terrible calamity in the way of pestilence or war or anything of that sort. They have had up to a very recent time the population of the world to draw their supply of labor from, and yet with all these advantages in fifty years they have not been able, under the most favorable circumstances, to exceed 360,000 or 370,000 tons of sugar. I believe that is the amount. In the Philippines, as has been already stated, there is no superabundance of labor. The great mass of the people are engaged in raising rice, hemp, copra, and tobacco on a small scale. They have tremendously strong local attachments. You never saw a people who hate to leave their homes as they do. It is almost hereditary with them, because they have been taught by the people who governed them to cluster close around the church. They live in villages, and some portions of the islands are very densely populated and other portions sparsely populated or not at all. The

labor supply, therefore, can not be readily increased except by increasing tremendously the wage of the laborer. That is the only way you ever get one of them to move out of his tracks, and so when you increase wages—which I hope to heaven may be the case, and if I did not hope so I would not be here talking to you—when you do raise the rate of wages, which means so much to them, you destroy the enormous margin of profit which has been spoken of. In other words, you get it down to a basis very much like it is here in the United States.

One word more in answer to the chairman's question about the Chinamen. While there is a good deal of Chinese blood among their principal and most intelligent men, the great mass of the population, who are pure Malays, dislike the Chino, as they call him. The Chinaman marries readily with the Filipino. The women like him because he is a good provider and a kind husband and father. But there are a good many towns in the islands where a Chinaman can not live at all, and the principal crimes of violence even in the cities to-day are crimes committed by Filipinos against Chinamen. If anything would produce a revolution in the islands it would be the wide-open door to cooly labor. I take it that the United States is not going to change its policy of exclusion.

The CHAIRMAN. That is so remote that it is hardly worth while to discuss it.

Mr. WRIGHT. I think the Commission did recommend that skilled Chinese laborers be admitted for five years with the understanding that each one coming would take as an apprentice a Filipino, so that they might be taught the trades. That proposition was not even considered by Congress scarcely. It fell dead. Now, we can not go to Japan. Our contract-labor law makes it impossible. We are compelled to enforce that law just as rigidly there as it is enforced here. So for labor we must depend upon the Filipino himself, and our hope is if you will give us a chance that we will develop him into a fairly good laborer. The whole question, it seems to me, is whether or not you want that done. I regret to see running through a good deal of the discussion here a disposition rather to throw off the Filipino, to treat him as a foreigner, and to sever the relation now existing as speedily as possible, but that is not the policy of this Government nor of the great body of the American people. Certainly if this is their feeling they have been most unfortunate in their selection of representatives in the Philippines.

The CHAIRMAN. You do not object to the revenue ideas of this bill running for the next three years? You need all the money that will come from it?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. And just now you are somewhat crippled in your efforts to extend education because of being crippled in the matter of revenue?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. You would like to extend the school system as fast as possible in the islands?

Mr. WRIGHT. Yes, sir. I think we have only 500,000 children in school now, whilst we have perhaps 2,000,000 of school age.

The CHAIRMAN. Is it your opinion that by the time free trade is provided for in this bill you will be able to extend the revenues so as to be sufficient to provide for the government?

Mr. WRIGHT. I believe we can do so; and I think another thing will make it comparatively easy, especially if you give us what we ask here; and that is that it will create everywhere in the islands a very much better feeling and will aid the rehabilitation of the people there, so that without increasing our tax rates at all we will get a very largely increased revenue.

Mr. WILLIAM ALDEN SMITH. I want to say to you that I agree with your statement and your interest in the Philippines; so that there is no hostility to begin with between the position you take and the position I take. The only question is one of remedy. Now, I understood you to say in the opening, in commenting on Senator Newlands's statement that we got a "gold brick," that you did not want to turn around and give them a "gold brick." Are you very sure that this proposition which is now pending is not a "gold brick" so far as any practical realization of a permanent benefit to the islands is concerned?

Mr. WRIGHT. I do not think so, Mr. Smith. I have heard the argument advanced by Mr. Hathaway or Mr. Humphrey, I am not sure which, probably both of them, that in view of the Brussels treaty the signatory powers will regard the reduction of the tariff here as a bounty to the Filipino sugar growers, and therefore will impose a differential against them. I am not prepared to say—of course we must be frank about these matters—that the result of passing this bill will not be very largely to cause the sugars that grow in the Philippine Islands to come to the United States. I rather think, and certainly hope, this will be so. So long as they come here, no question can arise about differentials. As to exports from the Philippines to England or to Europe, it is purely a local matter.

Mr. WILLIAM ALDEN SMITH. You are going to take so many years to build up this industry?

Mr. WRIGHT. Yes, sir.

Mr. WILLIAM ALDEN SMITH. If by the time you get the industry built up the domestic production of sugar has increased very largely, the production of sugar in Cuba, Porto Rico, and Hawaii has increased largely, and you find no market here for the industry you have cherished, what is to become of that product?

Mr. WRIGHT. My dear sir, until the beet-sugar and cane-sugar people of the United States have raised enough sugar to supply the demand in the United States that question can not arise.

Mr. WILLIAM ALDEN SMITH. They are doing it gradually.

Mr. WRIGHT. Yes, sir; gradually. In the course of twenty or thirty or fifty years, if such a condition should arise, Congress is in session every year, and it could deal with the question when it came up.

Mr. WILLIAM ALDEN SMITH. I favor the diversification of the employment of labor in the Philippine Islands. Any scheme of this Government or your Commission which will diversify the production and employees I will readily cooperate with. Do you believe this will tend in that direction?

Mr. WRIGHT. I do, Mr. Smith; most emphatically so.

MR. WILLIAM ALDEN SMITH. Do you believe that it will stimulate immigration to the Philippines?

MR. WRIGHT. No, sir; I can not say that I do. I have never believed that there would be any great foreign immigration there. I think those people have got to work out their own destiny, and whatever good really comes to them will come from the natives and not so much from foreigners, except in the mere matter of showing them new methods and improving their condition. I do not think it will ever be what is termed "a white man's country." I think there is a fine opening for men with some little means who will go there and start cocoanut plantations and sugar estates and hemp plantations, nothing very extravagant.

MR. WILLIAM ALDEN SMITH. It has been suggested, Governor, that if you stimulate the sugar industry in the Philippine Islands and make that the predominant production there you consign the Philippine workmen on the sugar plantations to semislavery.

MR. WRIGHT. Will you let me answer that?

MR. WILLIAM ALDEN SMITH. Yes, sir.

MR. WRIGHT. I am glad you mentioned it. In the first place, the great mass, three-fourths of the Philippine people, are engaged in other pursuits. You take the hemp industry. There is a great demand for hemp. There is no duty between the United States and the islands on hemp. Wages have risen tremendously for laborers in the hemp fields. They have there the "hemp puller," as they call him—the man who pulls it through the knife to cut away the pulp from the fiber in the leaf. He is given about 2 pesos—about \$1 in gold. There is a scarcity of them. They will not leave their present vocation. It is very difficult to make them migrate from their homes when needing work and when even all sorts of advantages are held out to them. They distrust the stranger, and this can best be illustrated by relating an incident that came under my observation. You gentlemen who were out in the Philippines will remember that they had a terrible drought in the island of Cebu. It ruined the crops and turned the island as brown as a berry. They lost practically their entire rice and corn crop.

There was a great deal of distress, and the government—the Commission—started public works. Now, the provincial supervisors in charge of these works, and the American ladies there, who had started a voluntary relief organization to protect the women and children who came into the city of Cebu from starvation and who asked for aid, found that the men were unwilling to work on the roads, where they could get rice and money for their labor to support themselves and their families, because they said they were afraid to go; that their neighbors and kinfolks were not there and they did not know what would happen to them. The unknown is horrible to the ignorant man. He does not like to go among strangers and he will not go among them. So you will not find it such an easy matter to get labor engaged in rice and hemp and cocoanut raising to abandon the pursuits in the neighborhood in which they are accustomed and go to raising sugar, and the only way to get them to go is by hanging up such a dazzling reward in the form of increased wages as will overcome their tendencies and sympathies. I do not see, if you give a large wage to them—and they are much in demand—how you are going to make slaves of them.

Mr. WILLIAM ALDEN SMITH. I hope not.

Mr. WRIGHT. It is not possible. The truth is there could not be in the nature of things any enormous increase no matter what stimulus they have in sugar raising.

Mr. WILLIAM ALDEN SMITH. That is practically true in Cuba in the fields.

Mr. WRIGHT. Is that their condition?

Mr. WILLIAM ALDEN SMITH. Practically.

Mr. WRIGHT. No such state of affairs could, in my opinion, exist in the Philippines.

Mr. WILLIAM ALDEN SMITH. Oh, certainly.

Mr. CLARK. I was reading a statement in the newspaper by Senator Dubois. He says that the natives over there will not take these public lands and perfect title to them and live on them. What is the reason?

Mr. WRIGHT. I am glad you asked me that question. I have been studying that question a good deal. We passed what I regard as an extremely liberal public-land law, following out, of course, the general lines that Congress laid down.

Mr. CLARK. It seemed to me so.

Mr. WRIGHT. And approved afterwards by Congress.

Mr. CLARK. I think it is a good law.

Mr. WRIGHT. It has all sorts of provisions intended for the benefit of the people. There is a short proscription. Most of the people there are living on lands without any paper title whatever, probably 95 per cent of them. We said in this act that a man who had been there, either himself or his ancestors, for ten years should have a title, and the squatter should have lands to the extent of 16 hectares—40 acres—and we would give him a title without expense. All he had to do was to just come up and make a request for it, our purpose being to settle the titles and to scatter the population more than it was under existing circumstances. We, I believe, had one man to come up and ask for the benefits of that act. What we are doing now as to the latter provision, which will expire in another year, is that we are printing circulars in all the native dialects and in Spanish and having them scattered broadcast, and are also sending them out to the school-teachers in every town and barrio to give to the children. We find it a very efficient way to get the children in the schools to take them home to their parents. We hope in that way to very largely overcome this inertia.

Mr. CLARK. That is the reason they will not get homes of their own?

Mr. WRIGHT. Yes, sir.

Mr. CLARK. They are not akin to the white people?

Mr. WRIGHT. No, sir. You must remember that they have been accustomed to live in villages all their lives. They have none of the aggressiveness and the disposition to pioneer that the American has.

Mr. CLARK. We have been in possession of the islands—that is, since the Taft Commission was appointed—about six years?

Mr. WRIGHT. About five and a half years.

Mr. CLARK. How many Americans, adults, males or females, who are there living have gone over there, barring the official classes?

Mr. WRIGHT. I should say probably 10,000.

Mr. CLARK. A very small immigration.

Mr. WRIGHT. Yes, sir; a man without means and not holding an official position would not find a very wide field for his energy. The man with some money who goes there has fine opportunities. You in your wisdom fix it so that a man can not get very much land. You can not form a corporation in order to secure capital sufficient to engage in sugar raising and the other industries. Some parties who have settled in Mindanao are farming on a small scale. They are planting hemp and cocoanuts. I would like to see more of it.

Mr. CLARK. If the sugar industry presents such a good opportunity, why do not the American capitalists rush over there?

Mr. WRIGHT. There is no bonanza. The truth is it is utter failure as things stand. The statistics show that the production has gone from 300,000 tons down to 100,000 tons, and it is because of that we are here.

If I may be permitted—it is entirely germane and worth considering in connection with this general discussion—I believe myself that with just fair play to these people you will see a steady improvement in their economical conditions. I think the hemp output is steadily increasing. The copra they have planted largely, but it takes about seven years to obtain the first crop. That is a slow business. They are still planting largely. Now, if we give a reasonable stimulus to sugar so as to bring it up to a couple of hundred thousand tons in the next five years that would greatly help, and possibly in the next fifteen or twenty years it might reach, say, 400,000 tons as a maximum, and realizing at present prices, say, \$25,000,000. So that in that period we may hope for, say, \$100,000,000 exports and like imports. The truth is, as stated, that we have not touched the material resources of those islands. These gentlemen are in some degree right about that, but there is not going to be any phenomenal increase. It is not possible. It is going to be gradual and very slow. The day of miracles is past, and the most we can hope for is to give them good laws, preserve order, educate them, improve their material conditions gradually, and let the country develop with the growth of population. I hope very much that you gentlemen who seem to be fearful of the consequences of reducing the tariff will revise your opinions, because I assure you, if it is of any weight, there is not the slightest danger to any industry here, not the slightest, and there is very much less danger than there was in Hawaii or Porto Rico, and so far as I have been able to observe it did not hurt anyone when sugar came in from those islands free. I am much obliged to you.

FINAL STATEMENT OF MR. F. R. HATHAWAY.

(See also p. 8.)

Mr. HATHAWAY. I do not wish to trespass on your time. I appreciate fully the fact that I have not had very much time to prepare anything in rebuttal to the argument that has been presented here. I want to say in the start that there are very few men in public life to-day for whom I have a higher regard than I have for the gentleman who has just taken his seat. I realize quite fully, as does he, some of the difficulties which beset him and his collaborators in the

Philippine Islands. I realize also, gentlemen, that this is not a proposition to be approached with anything but seriousness, and that it is not a proposition in which funny stories or sarcasm or anything of that kind has any weight whatever. It is a proposition which should engage and is engaging some of the best intellects in Congress—a proposition that is worthy of the most serious consideration which you and your colleagues can give it.

Now, I would not for anything misquote the last gentleman, and I think that you will give me credit in all the remarks I have made here, notwithstanding the statement that one gentleman has made, that I have not attempted to misquote anyone. I could not help but think, as the Governor was speaking, of the newspaper report of the speech he made at the banquet in Iloilo. I do not say that it is his speech, but simply that it is the newspaper report of his speech in which he advised the people, according to that report, to base their claims here for a reduction of this tariff upon an appeal to the sympathy of the American people.

Mr. WRIGHT. Are you referring to me?

Mr. HATHAWAY. Yes, sir.

Mr. WRIGHT. I simply say that that is the newspaper report.

The CHAIRMAN. I heard the speech and I do not remember anything like that.

Mr. HILL. I heard the speech of Governor Wright and he did not say that.

Mr. HATHAWAY. Just one or two words further. Governor Wright states that the United States is not a party to the Brussels convention, and consequently that its findings will not operate with reference to sugars entering the United States from the Philippines. It has appeared in this evidence, and it has not been controverted, that there is but one buyer of Philippine sugars in the United States. The Brussels convention operates on the other markets and causes a countervailing duty to be attached to the price of sugar in the world's markets, and causes the planter to take less than the world's price for his sugar. Why will this one buyer in the United States pay any more for that sugar than the sugar will bring under a countervailing duty in the world's markets?

Now, with reference to this enormous wage rate that must be paid to those people, I have it from the people who are employing the men on the government work at Cebu at Iloilo that the rates of wages are 20 and 25 cents American money.

The next thing that I want to speak about is that I have not posed before this committee as a sugar expert. I never have claimed that I was a sugar expert.

The CHAIRMAN. A cane-sugar expert?

Mr. HATHAWAY. Nor any other kind. I have spent the last five years of my life in trying to analyze the figures of sugar experts who have been seeking to convince me that they could make any amount of sugar out of any kind of beets, and the result has been that the debit and credit sides of the ledger have not followed the so-called figures of the sugar experts. Of all the people in the world who can make figures to fit either side of every question I never in my experience have found anyone that was quite equal to a sugar expert.

With reference to the kind of cane which is grown over there just a word. I showed you the pictures of the cane that I took on the island

of Negros. I showed you a picture where a man who was standing by an American horse could not reach the top of the cane. I showed you a picture where a man was standing on the edge of a tenth-crop field and the cane was 10 feet high, though but 8 months old. I showed you another picture, where a man was sitting alongside some cane, and the stalks were nearly the size of his arm. It is idle to tell me that that kind of cane will only produce a ton of sugar to the acre.

THE CHAIRMAN. I understand that a ton to the acre is the average, not the production of a single acre.

Mr. HATHAWAY. I have repeatedly ridden through the fields in Negros, and have tried to reach the top of the cane with a whip I was carrying as I rode horseback, and could not do it. The cane is growing there without a skip in the row. Now, that is the condition there to which I want to call your attention. You need not be a sugar expert to know that that is a pretty good sort of cane. You can see such cane in most any direction in Negros if you go away from the strip along the coast.

With reference to the cost of producing cane in those islands: There was scarcely a man that I spoke with after leaving Bacolod who knew anything about my mission one way or the other, for or against the question of investing there or the relation of this business to the proposed legislation. I did not take a Filipino interpreter anywhere. It was an American who could speak both languages.

The official figures which I have here, and which I am not at liberty to show, prove the assertions which I have made concerning the cost of producing sugar in the Philippines.

Mr. Welborn asks, "Why did I not use, in showing the truth of the statement at the top of page 223, volume 4, of the census of 1902, the figures for the years that follow 1902?" Because the statement made in that census is based on the years which precede 1902 and not on the years which follow it. That is the reason, and the figures I gave are absolutely the figures given in that volume.

With reference to the quotations from Commissioner Lazuriaga, I will say that I quoted all, except two lines of a long paragraph. The two lines preceding that speak of the planting upon the higher ground, but the higher grounds referred to by me are the very grounds that are producing the ratoon crops.

I wish to call your attention to the evidence of one other man who is not a poetical Filipino. The person is the Hon. D. C. Worcester, Philippine Commissioner and secretary of the interior. On June 16 of this year we discussed two subjects, lumber and sugar. With reference to sugar he made this statement:

Sugar offers much better opening for capital than does lumber. The Philippine lands—

Please notice this—

are the most productive sugar lands in the world. They are superior to Cuba and Hawaii, and natural sugar resources of the islands are practically unlimited.

I want to speak about the $2\frac{1}{2}$ acre business that seems to have hit some one. On page 77 of your hearings—

THE CHAIRMAN. The hearings in Manila?

Mr. HATHAWAY. Yes, sir. Senator Newlands asked Mr. Welborn—they have been talking about the cultivation of cane lands:

You estimate one man to the hectare, do you not?

Mr. WELBORN. That is the way they work now; but if I had that plantation and one man did not work more than a hectare of land I would get out of the islands.

Mr. NEEDHAM. That is with reference to sugar?

Mr. HATHAWAY. Yes, sir.

On page 53 of Taft party hearings Mr. Welborn talks about sugar, and I will read the entire paragraph:

Now, I wish to state a fact that will surprise you. The farmers and farm laborers in the islands cultivate 2.56 acres each. In America each farmer and farm laborer cultivates 40 acres. Pray tell me, are these the industrial giants that Colonel Hill, Mr. Colcock, Mr. Hathaway, and other sugar people predicted would blot two great industries off the American map in three years?

This shows the intent of Mr. Welborn to have the gentlemen infer that in American sugar culture one man cultivates 40 acres.

On page 16 of the same hearing Commissioner Luzuriaga says, speaking about this very question of cane culture:

One man can cultivate per year $2\frac{1}{2}$ acres.

Senator Foster asked him if he meant to cultivate and harvest, and he says no.

Mr. CURTIS. He was talking about the conditions that existed there at that time?

Mr. HATHAWAY. Yes, sir.

Mr. WILLIAM ALDEN SMITH. Mr. Welborn asked the direct question, whether a man connected with the Alma factory could tell what use was now being made of the by-product?

Mr. HATHAWAY. Yes, sir.

Mr. WILLIAM ALDEN SMITH. I would like to have an answer to that.

Mr. HATHAWAY. The Alma factory was the first in the United States to put up a pulp drier to dry the pulp after the sugar had been extracted from the beet. There are at the present time two other similar factories in the entire United States. The year prior to putting up that factory we paid \$9,800 to draw the pulp away and put it on land. We have built a drier and warehouse at a total expense of \$67,000. We now dry the pulp as we get it from the beet, which enables us to come out even in that department and save the \$9,800 which it cost previous to establishing that system, but instead of getting 10 per cent of the weight of the beet, as Mr. Welborn says, we get 5 per cent, and instead of selling the product at \$20 per ton we sell it at \$14 per ton.

ADDITIONAL STATEMENT FILED BY MR. F. M. HATCH, COUNSEL FOR THE HAWAII SUGAR PLANTERS' ASSOCIATION.

(See also p. 55.)

Mr. HATCH. I wish to submit an additional statement to go in the record.

The CHAIRMAN. Very well, just hand it to the stenographer.

The statement submitted by Mr. Hatch follows:

I was asked by the chairman of the committee (see p. 56) the following question:

The CHAIRMAN. And notwithstanding that, according to the reports of your own association, when sugar was at its lowest, in 1903 and 1904, you made a profit of 7.2 per cent on all the stock as capitalized in all those sugar corporations, did you not?

Mr. HATCH. I am not aware of that fact.

The CHAIRMAN. Well, I am.

I now desire to refer the committee to page 109 of the report of the governor of the Territory of Hawaii to the Secretary of the Interior for the year 1904. I quote the following from the report:

In the year 1902 the total tonnage produced in the islands was 355,611 short tons. The capitalization of the corporation plantations was \$63,940,650. The amount of dividends paid was \$1,757,520, or at the rate of 2.75 per cent.

It is very obvious that in some manner the figures given to the chairman of the committee became turned about, his figures being 7.2, when the correct statement is 2.7.

Quoting again from the report:

In 1903 the total tonnage produced was 437,991 short tons. The capitalization of the plantations was \$64,878,931.63, and the total amount of dividends paid was \$1,555,652.68,

or 2.39 per cent return on the capitalization.

In 1904 the price of sugar went up to 4.33 cents per pound, and in January, 1905, reached its high-water mark of 5.48.

The mere statement, however, that in 1903 there was a return equivalent to 2.7 per cent on the entire capital invested gives a very inaccurate idea of the state of the sugar culture in the Territory of Hawaii at that time. The plantations which made a profit were either old established places which were on a dividend-paying basis before annexation, or had nearly reached that stage at that time. Of the new plantations started after annexation, three were entire failures, and the others have as yet paid no dividends. The following plantations, namely, Honolulu Plantation Company, with a capital of \$5,000,000; the McBride Sugar Company, with a capital of \$3,300,000; the Olaa Sugar Company, with a capital of \$4,700,000; the Waialua Agricultural Company, with a capital of \$4,500,000, have not been able to get on a paying basis. Besides their capital expenditures, the McBride Sugar Company has issued bonds to the amount of \$2,000,000; the Olaa Sugar Company has issued bonds to the amount of \$1,225,000, and the Waialua Agricultural Company has issued bonds to the amount of \$1,000,000. Thus we have a showing of \$21,000,000 invested since 1898, which had, up to January 1, 1905, produced no return.

F. M. HATCH.

INCIDENTAL STATEMENTS.

Colonel EDWARDS. I would just like to say a word in regard to the appointment of Mr. Welborn. He was chosen at the request of the Secretary of Agriculture. The Secretary of Agriculture was asked to get the best man he could in America for that purpose, and he was therefore nominated by the Agricultural Department. That is the record.

Mr. WELBORN. When Secretary Wilson told me what sort of man he wanted I said, "You are lucky to find him."

Mr. WILLIAM ALDEN SMITH. What salary does he get?

Mr. WRIGHT. Six thousand dollars.

Mr. WELBORN. No; \$5,000; but I think I will get \$6,000 next year. I am rapidly discovering myself to those people. [Laughter.]

Mr. WILLIAM ALDEN SMITH. I think you have earned it.

Mr. WRIGHT. The wages at Cebu and Iloilo are 40 cents silver a day. Labor is very, very cheap at both places as compared with the home provinces, and while those provinces are nearer to where they are prosperous and, as I said a moment ago in my remarks, the people of Cebu have been at the point of starvation and of course they took what they could get, all those islands are more or less affected.

The CHAIRMAN. The people work in the navy-yard at Cavite for 55 cents gold.

Mr. WRIGHT. I think they do.

The CHAIRMAN. I was told so by the commandant.

Mr. WRIGHT. I know that wage, as a matter of fact, is paid by the harbor-improvement people there.

The CHAIRMAN. The White Construction Company?

Mr. WRIGHT. The Atlantic, Gulf and Pacific Company. They paid up to a dollar silver—50 cents gold.

The CHAIRMAN. There has been a large increase over what the wages were when we went there?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. About two times?

Mr. WRIGHT. Two or three times.

Mr. REA. In regard to the price of sugar in Iloilo and the price of sugar in Hongkong I have a series of reports of the Hongkong Chamber of Commerce which give the daily quotations of the Chinese sugar markets, which go to bear out the fact put forward by Mr. De la Rama and others when they say that they have been discriminated against. In this report, which will be filed, it will be found that in the latter end of October of this year the quotation in Hongkong on Chinese grown sugars was \$6.30 a picul.

Mr. De la Rama, what was the quotation at Iloilo at the latter end of October, just as you left?

Mr. DE LA RAMA. Three dollars and fifty cents a picul.

Mr. REA. The report of the Hongkong Chamber of Commerce shows that the quotations were over \$6 a picul, and that there was a discrimination of almost half of that price against Philippine sugar.

Thereupon the committee finally adjourned.

[NOTE.—This pamphlet embraces pages 275-295, and is referred to on pages 252 to 254.]

SHOULD THE U. S. TARIFF ON PHILIPPINE SUGAR AND TOBACCO BE REDUCED?

THE AVERAGE WAGE FOR COMMON LABOR ON AMERICAN SUGAR-BEET FARMS IS \$1.50 TO \$2.50 PER DAY.

THE AVERAGE WAGE ON PHILIPPINE SUGAR HACIENDAS IS 80 CENTS PER WEEK, MEXICAN, AND RICE OR 6 CENTS U. S. CURRENCY PER DAY.

THE AVERAGE WAGE OF THE 107,000 EMPLOYEES IN THE 14,000 AMERICAN CIGAR AND CIGARETTE FACTORIES IS \$1.36 4-5 CENTS PER DAY.

THE AVERAGE WAGE OF THE 12,000 EMPLOYEES IN THE 31 MANILA CIGAR AND CIGARETTE FACTORIES IS 35 1-2 CENTS PER DAY.

THE FREIGHT RATE ON SUGAR FROM MANILA TO NEW YORK IS LOWER THAN IT IS FROM THE ROCKY MOUNTAINS TO THE MISSOURI RIVER.

ORIENTAL COMPETITION IN PRODUCTS COMMON TO BOTH THE ORIENT AND THE OCCIDENT HAS NEVER BEFORE BEEN PROPOSED BY PROTECTIONISTS.

[Henry T. Oxnard, president; Truman G. Palmer, secretary; Francis K. Carey, vice-president
James G. H. Hamilton, treasurer.]

AMERICAN BEET SUGAR ASSOCIATION,
OFFICE OF THE SECRETARY,
Ebbitt House, Washington, D. C., December 29, 1904.

GENTLEMEN: Philippine tariff reduction legislation, which can not but seriously affect, if not absolutely ruin, the home sugar and tobacco industries, is imminent, unless those who are interested in these home industries put up a vigorous fight. On December 16 an effort was made to tack an amendment onto the Philippine bill, then pending in the Senate, the amendment providing for a tariff reduction on the sugar and tobacco coming from the Philippines, whereby these articles would hereafter pay but 25 per cent of the Dingley rates.

This amendment was defeated, but it is the acknowledged purpose of interested parties to bring in a new bill immediately after the holiday recess, which bill will provide for either a 50 or 75 per cent reduction on Philippine sugar and tobacco. This fact is well known and frankly acknowledged by both our friends and our enemies. Knowing this to be the case, I have interviewed various members of Congress and other Government officials, all of whom have confirmed the above statement.

I am laying this matter before you at the request of the Hon. Sereno E. Payne, of Auburn, N. Y., chairman of the Committee on Ways and Means of the House of Representatives, in which committee such a bill must necessarily arise; also at the request of the honorable Secretary of War, William H. Taft, former governor of the Philippine Islands. In my interview with the chairman of the House Committee on Ways and Means, Mr. Payne was particularly anxious to know how much reduction we could stand without being hurt. My reply was that this question was like asking me how much of the money I had in my pocket I could allow to be stolen without hurting me; and I asked what assurances we would have of being hereafter let alone if any further reduction on Philippine sugar and tobacco was granted, short of free trade. He said frankly that inasmuch as a year and a half hence the United States coastwise laws go into effect as between this country and the Philippines, and the freight rate would then undoubtedly be raised, there would unquestionably be another effort made at or before that time to further reduce the Philippine tariff. Mr. Payne seemed very anxious that we agree to such present minimum reduction as we would be willing to make without a fight, and requested that the matter be thought over carefully and brought to your attention, and that immediately upon the reconvening of Congress I come to him and state the amount of said reduction.

In an interview with the Secretary of War, which interview extended over a period of nearly two hours, the honorable Secretary seemed very desirous of arriving at some agreement as to the reduction we would stand without fighting. He acknowledged that we could beat him at this session of Congress, and also that whatever we might agree to and allow to be passed now would not deter him one

iota in the future from constantly and continuously pressing the adoption of Philippine tariff reduction measures until he had secured free trade for what he terms "his people"—the Filipinos.

In the face of the above statements of these gentlemen, I fail to see what could be gained by coming to an agreement and avoiding a fight, no matter what the limitation of reduction might be in said agreement, and I am positive they would agree to nothing short of a 50 per cent reduction.

I deem it my duty to this association, and to other parties at interest, to lay the facts before you as lucidly as possible.

In a nutshell, the importance of what I am about to say is based on the present deliberate attempt to place in direct competition with our wage rates of \$1.50 to \$2.50 per day for farm labor the wage rate of 6 cents per day, which under semislave conditions is the usual daily wage rate of those who labor on the sugar plantations of the Philippine Islands.

Still further importance attaches to this matter when the fact is considered that the water freight rate on sugar from those islands to the port of New York is less than is the rail freight rate on the same commodity from Omaha to Chicago, while from those islands by sail to San Francisco the rate is less than one-half of the rail rate from the Rocky Mountains to the Missouri River.

THEORY OF PROTECTION.

As you well know, the theory on which a protective tariff is constructed is to equalize the wage rates paid in foreign countries with the wage rates prevailing in our own country. That is to say: If the American selling value of an article is \$10, \$2 of which represent the cost of the raw material in the article and \$8 represent the cost of American labor to produce that article, while in some foreign country, owing to their lower wage rate, the labor required to produce the same article amounts to but \$4, then the protective tariff policy would mean that a specific duty of \$4 or an ad valorem duty of 40 cents should be levied upon that article when it passes through our custom-houses and comes in competition with similar articles produced by American labor.

From the fact that the cost of producing sugar is almost wholly represented by labor, we have generally levied a high rate of duty on that article in order to equalize the low wage rate of Europe and the Tropics with our own high wage rate, and thus make it possible to produce the article at home.

It would thus appear that the attempt to place 6-cent tropical labor in direct competition with our \$1.50 to \$2.50 farm labor wage rate means that the American farmer is to be robbed of the protection which has been repeatedly promised him and for which he universally votes, and that so far as two great agricultural crops are concerned the policy of protection to American labor is to be ruthlessly violated and the farmers' interests sacrificed thereby.

COINAGE OF THE PHILIPPINES.

Laborers paid in 50-cent dollars.—July 1, 1902, Congress passed a bill extending the United States coinage laws to the Philippine Islands, and, in addition, provided for the issuance of subsidiary coin in the denominations of 10, 20, and 50 centavo pieces.

Philippine planters, mostly Englishmen, Belgians, Spaniards, and Germans, soon found that if obliged to pay the poor Filipinos in sound American money their niggardly wage rate would be more than doubled.

They came before Congress with the plea that unless some change was made they would be ruined and that ruining them (the employers) meant that the laborers of the islands would all be thrown out of work and that great privation and want would thus be caused from one end of the archipelago to the other.

Not considering the Filipino laborers as being competitors of American laborers in any way, Congress listened to this specious plea, and, on March 2, 1903, passed an act which provided for a special Philippine currency, the standard of which is a silver "peso," or dollar, containing 374.40 grains of fine silver, or a little more than the fine silver in the same size American standard silver dollar, which contains 371.25 grains of fine silver.

This act further provided that the established rate of exchange between these two pieces of money of equal intrinsic value should be as two to one, or, in other words, that the Philippine employer of labor can take to the mint a thousand dollars in American coin, bills or exchange, and exchange it for \$2,000 of Philippine coins, with which to meet his pay roll, whereas the American employer of labor can only get dollar for dollar for whatever check or exchange he may present at the bank or mint.

This act in itself cuts the price of Philippine labor in two, and can not be construed as being in the interest of the Filipino laborer.

To illustrate this feature:

A few years ago I was interested in a mining proposition in Lower California (Mexico). The wage rate in our Mexican mine was \$2.50 per day, the same as then prevailed in American mines across the frontier, a few miles north of us.

We paid our Mexicans in Mexican currency; the American miners across the border were paid in American currency.

To make up his pay roll of, say, \$2,000, our treasurer presented a \$1,000 check at our bank in Los Angeles and received \$2,000 in Mexican silver, while a \$2,000 pay roll on the American side required a check for \$2,000, or double the amount.

If, as was represented, the putting of 100-cent dollars into operation in the Philippines would double the wage rate in the Philippines, it must follow that keeping in force a 50-cent dollar must halve the wage rate. Were all other cost conditions equal, to by law authorize one set of employers to pay its laboring men (Filipinos) in 50-cent dollars because those laboring men know no better, and then place the products of that 50-cent labor in direct competition with other laborers (American), who must be paid in 100-cent dollars, would be an unheard of injustice.

PRESENT UNITED STATES TARIFF ON PHILIPPINE PRODUCTS.

Eighty-five per cent of Philippine productions are already allowed to enter our ports free of duty, sugar and tobacco being the only products of those islands of any consequence which pay any tax at all at our custom-houses. On these two products, when coming from the Philippines, we collect 75 per cent of the regular rates which we charge on the same products when coming from other countries, and

all the proceeds arising from these collections are covered into a special fund and sent back to the Philippine government in order to reduce the internal taxation of the islands on their industrial enterprises.

PHILIPPINE LEGISLATION.

Two years ago a bill providing for a 75 per cent tariff reduction on Philippine sugar and tobacco passed the House of Representatives, but was defeated in the Senate.

Last winter a Philippine railway-subsidy bill passed the House, and while not acted upon in the Senate became the order of business of that body for this session. This bill passed the Senate the 14th of the present month, and in passing it through the Senate a vigorous attempt was adroitly made by Senator Foraker, of Ohio, to add to it a 75 per cent Philippine tariff-reduction amendment. Had our friends in the Senate not been alert he would have succeeded.

Under another cover I am sending you the Congressional Record for December 14, 1904. On page 273 of that issue you will find the amendment which Senator Foraker proposed to be injected into this bill, reducing the duty on Philippine sugar and tobacco to 25 per cent of the present tariff schedule. On pages 282 to 286 you will find the debate on this amendment and will see that it was only after much discussion and because the amendment was not germane and was not anticipated when the Republicans some time ago secured the unanimous consent of the Democrats to vote on this bill on the 16th instant that it was withdrawn.

THE PHILIPPINE BILL JUST PASSED.

I will speak briefly of this bill, in order to show you that exploitation of those islands by American capital is the end in view of those who claim to be the benefactors and bosom friends of the Filipino people and tribes.

The bill in question contains 10 sections, nine of which are of little importance as compared to the subsidy provisions of section 4. Section 4 of the above-mentioned bill provides that the Philippine government shall be authorized to guarantee for thirty years annual interest at the rate of 4 per cent on anything up to a total issue of \$30,000,000 of stock and bonds, to be issued for the purpose of constructing railroads in the Philippine Islands. An amendment which was offered to reduce the interest to 3 per cent was rejected. An amendment to tax the gross receipts of such railroads arising from freights and fares, in lieu of all other taxation, was rejected. An amendment authorizing the general government of the Philippine Islands to exercise the right of regulating freight and passenger charges and providing that before the stock or bonds on which the government guarantees the interest are issued they shall be approved by the Philippine government was rejected. An amendment limiting the amount of bonds or stock, the interest on which will be guaranteed by the Philippine government, to \$35,000 per mile of railroad constructed was rejected. An amendment to change the period on which the government is to guarantee the interest from thirty years to twenty years was rejected. An amendment providing "that nothing in this act shall be so construed as to make or hold the Government of the United States in any manner liable to pay any bonds that

may be issued by the government of the Philippine Islands or any municipal or other subdivision thereof under the provisions of this act" was rejected. From the rejection of these various amendments it should be apparent that this bill was passed for the benefit of American exploiters and railroad contractors rather than for the benefit of the Filipino people, and that under its loose provisions the amount of bonds and stock to be issued per mile is an unknown quantity, and that eventually the United States Government is quite likely to be called upon to foot the bill. If such is to be the case it were better to be understood in the first place, as the United States can borrow money at 2 per cent instead of 4.

In his annual report as president of the Philippine Commission the present Secretary of War, Taft, then governor of the Philippines, stated in November, 1902, that Belgian and English capital stood ready to build all the railroads needed without any guaranty whatever, and that if American capital did not rise to the emergency the Philippine government would feel constrained to grant these franchises to the representatives of foreign capital. A few months later Mr. Taft arrived in this country, and in the face of the above-mentioned attitude of foreign capital, and also in the face of the fact that in his report he had stated that he did not believe the islands would now be able to meet their current expenses, he recommended that Congress give the Philippine government the authority to guarantee these bonds.

The House passed the bill which the governor had recommended, and now that the Senate has passed the House bill with some amendments, should the House agree to these Senate amendments the bill just passed will become a law, and it will, in a sense, cost nothing to build railroads in the Philippines, as the government guaranty will float the stock and bonds.

I mention this merely to show that there is a positive and deliberate attempt to cement these islands more and more closely to this country by extending our financial ties, and that an unnecessary burden of taxation, amounting to \$1,200,000 per annum, is to be saddled upon the natives of the Philippines when they could have been given the same civilizing advantages without its having cost them a cent. In other words, those who pose as their best friends tax them \$1,200,000 a year for advantages which cold-blooded English and Belgian capital offered them for nothing.

CUBAN TREATY.

When this association withdrew its opposition to the 20 per cent reduction on Cuban sugar, it was with the distinct understanding that during the life of the Cuban treaty the sugar schedule of the Dingley tariff would not be touched, and, consequently, that if we withdrew we would have a period of rest from these attacks, and it was thought that, under the circumstances, it would be better for the industry not to continue to oppose the treaty than to have the matter constantly before Congress and the people.

The Cuban resolution which was passed expressed the firm conviction that the measure granting a reduction on the sugar tariff to any country was "from any standpoint unwarranted and unwise," but this association was unwilling to further oppose a public policy which had the approval of the Administration and leading members of Con-

gress. At the same time it passed the above-mentioned resolution it passed the strongest kind of resolutions protesting against any further tariff reduction on goods coming from the Philippine Islands.

EFFECT OF LEGISLATION.

Even the bill passed by the Senate December 16 has already, in one instance at least, affected the development of the home sugar industry.

One of my acquaintances who was considering both the American beet-sugar industry and the Philippine cane-sugar industry came to me the day the Senate passed the above-mentioned measure and informed me that the passage of it had enabled him to come to a conclusion, which conclusion was to establish a large sugar estate in the Philippine Islands now that he can virtually get the Philippine government to build a railroad from the coast to his proposed location. The Philippine planter who interested this gentleman submitted to him in detail his figures as to the cost of production, and they showed a total cost, including transportation, of 98 cents per hundred pounds laid down on the coast, 40 per cent of this cost being for transportation, and the sugar obtained by his crude process was but 46 per cent of the sugar in the cane. Cutting the 40 per cent cost of transportation down to a reasonable railroad basis, and putting in a modern mill which will nearly double the amount of extraction, it can readily be seen that they will produce sugar over there for almost nothing and that the home industry needs the full benefits afforded by the present tariff. The prospectus of the enterprise in question purports to show that a profit of a million dollars a year can be made on an investment of \$400,000 by putting in modern machinery and reducing the transportation charges, even though the American tariff on Philippine sugar remain as it is. I am informed by this gentleman that the three wealthy Filipino sugar planters with whom he came in contact did not care for further tariff reductions on the importation of Philippine sugar, but that, on the contrary, they preferred that our sugar tariffs remain as they are. Their argument was that even with our present reduction of 25 per cent on Philippine sugar (which amounts to more than the cost of freight to New York) their best markets are China, Hongkong, and Japan, which take 85 per cent of their exports, even in the face of our present 25 per cent reduction; that when the Russo-Japanese war shall have ended they will look to the United States to perfect a treaty with Japan whereby Philippine sugar and tobacco will enter Japanese ports free of duty; that Japan stands ready to make such a treaty and that those markets are more valuable than are ours, and that they fear that should we further reduce our tariff walls to the Philippines it will greatly stimulate the expansion of the Philippine sugar industry and later on we will not feel inclined to bother about securing them a free Japanese market after having further reduced our tariff to them. They further state that they are already making plenty of money and can afford to await the termination of the Russo-Japanese war before making any further move.

SOURCE OF PRESSURE.

The proposed measures do not apparently arise from any pressure brought to bear by the Filipinos generally or by the people of the United States. They emanate from the War Department, and it

would appear that in pressing them the idea of exploitation of these islands by Americans was uppermost. So far as the executive branch of our Government is concerned, Philippine matters come through the Bureau of Insular Affairs of the War Department, of which Bureau Col. Clarence R. Edwards is chief. In his annual report to the Secretary of War, issued under date of October 31, 1904, Colonel Edwards strongly urges a further reduction of tariff on Philippine sugar and tobacco coming into the United States; and, also, that the present 2,500-acre limitation of land which can now be owned in the Philippines by a single corporation be increased to 25,000 acres, as per bill introduced and not acted upon last year, but he makes no recommendation that the present low limit of only 40 acres which an individual can take up in the Philippines be increased, and it would seem that individual holdings were not to be encouraged but that vast corporate holdings were to be created. The significance of this recommendation can be grasped when one realizes that of the 65,000,000 acres of arable land in the Philippine Islands, only 5,000,000 acres are in private ownership, the remaining 60,000,000 acres still being owned by the government.

In his interview with me the Secretary of War stated that he was not working to exploit these islands, but to aid the people who were already there, and he wanted to further help the small sugar and tobacco planters by giving them a better market. When, about two years ago, this same Philippine reduction measure was urged by the same gentleman, it was argued that the price of sugar was exceedingly low and that the reduction was asked for merely to enable the then present sugar manufacturers of the islands to produce sugar at a profit. Since that time the price of sugar has advanced much more per hundred pounds than the reduction asked for per hundred pounds would have amounted to. Hence the benevolent argument of two years ago would be untenable to-day, for, according to the statements then made, the Philippine planters must be reaping a harvest at the present time. When I mentioned the fact that bills had been introduced in Congress extending the area which could be owned by single corporations from 2,500 to 25,000 acres, the Secretary took me to task for the defeat of these bills and said that he thought it was "contemptible" when he was trying to help these people. Later on in the interview, when I asked the Secretary if more than 2,500 acres were needed by any individual or corporation in the growing of hemp, or cocoanuts, or tobacco, or coffee, or anything that the islands produced, except sugar, he admitted that they were not, thus admitting that this extension of acreage was desired solely for the purpose of establishing large sugar plantations.

LABOR.

It must be borne in mind that the much-mooted question of adequate labor in the Philippines has been settled. For years we have been led to believe that the natives will not work, and hence that having no labor there would be no menace created by a lowering of the American tariff on Philippine sugar and tobacco.

The third special report of the collector of customs for the Philippine Islands, reviewing the work of his office from September 1, 1903, to September 1, 1904, has just been received and made public.

In view of the many extraordinary statements heretofore made on the subject, this official report is of special interest.

The collector says:

The question of labor in the Philippines has ceased to be a critical one. Despite the gloomy predictions of many thoroughly sincere investigators and writers on the subject, the Filipino laborer has conclusively demonstrated that he is a practicable and dependable element in the industrial development of these islands. In the past two years several immense enterprises have been successfully carried on solely with the aid of Filipino laborers.

The cost of sugar being almost wholly labor, the Philippine menace assumes proportions which sink the Cuban menace into insignificance, for the testimony before the Committee on Ways and Means showed that in Cuba the wage rate was \$26 to \$30 per month, or, in round numbers, about a dollar a day; while in the Philippine Islands the established wage rate on sugar haciendas is known and acknowledged to be but 80 cents per week Mexican, and rice, or 6 cents per day American currency, with exchange at 220, which was the current rate when I obtained these figures, and I am informed that today it is 240. This is not strange when you consider that the jute-mill operatives in the cities of Bombay and Calcutta work for 12 cents per day and have to pay for board and clothes, while many of the Filipino agricultural laborers go practically naked and live largely on wild fruits and vegetables and fish which he or his family hook from the sea. If our climate and laws permitted the American laborer to array himself in a simple breech clout, and he had neither fuel, provender, habitation, luxuries, rent, or interest to pay for, and it cost him nothing to provide for his family, perhaps he would be glad to exchange his wage rate for that of the Filipino. But if we imported Filipinos by the million under contract to work for nothing but "keep," the Temperate Zone employer would be obliged to pay out many times the Philippine wage rate to keep them from the grave. For this reason the Temperate Zone can never hope to compete with the Tropics where labor enters into the equation unless there be other compensating advantages of great magnitude. Even the wage rate of Manila, which is generally admitted to be many times higher than it is anywhere outside of that metropolis of the islands, is exceedingly low as compared to the American wage rate. The Bulletin of the Department of Labor for January, 1901 (H. Doc. 315, pt. 1, 56th Cong., 1st sess.), shows the wage rate of all the operatives, foremen, etc., of the various factories in Manila (said operatives numbering 166 whites, 15,976 natives, and 4,097 Chinese) to be \$10.21 per month. The low wage rate of Manila does not affect our home product of sugar, but, with a lowering of our tariff on Philippine tobacco, would greatly affect our home cigar and cigarette industries. This report shows that the 12,168 operatives in the 31 cigar and cigarette factories of Manila receive but 35½ cents per day. In the American cigar and cigarette factories there are employed 107,932 persons, the average wage rate of all these, according to the 1900 census report, being \$1.36½ per day, or nearly four times the prevailing wage rate in the same line of industry in Manila, where one can obtain a good cigar for 1 cent.

As is well known, the sugar industry of the Tropics produces a condition more akin to slavery than does any other industry there or elsewhere, and it would certainly appear that it will not be in the interest of the civilization and advancement of the Filipino people

to stimulate their sugar industry. Even with their present sugar industry, which is of small proportions and very crude, the workers are practically slaves. They live in the houses rented from the owners of the sugar haciendas; they trade at the stores operated by the planters, and are almost invariably kept in debt in order that they may be ground down to the uttermost. The cultivation of other crops in the Philippines does not produce these semislave conditions. The individual can profitably cultivate a small or large area of hemp, cocoanuts, coffee, etc., and between his hemp and other products plant his rubber trees, which are a benefit to these other crops, and which cost him nothing to grow. If the native is not thrifty enough to acquire a piece of land of his own to cultivate, he gathers hemp for other more prosperous natives, always doing this work on shares, and, according to the report of the Philippine Commission, earning all the way from \$2.50 to \$4 per day Mexican. All these other industries tend to build up the individual family hearthstone, and to enable the native not only to live on his own property, but to rear and educate his family, and it would appear that those who have the interests of the natives at heart should stimulate the production of Philippine products other than sugar and tobacco, and to discourage the growth of the one industry which will extend the semislave condition already existing on the Philippine sugar estates, as in all tropical countries throughout the world.

A further tariff reduction on Philippine sugar and tobacco, or even free trade with the islands on those products, instead of elevating the Filipino people could only result in enslaving a still greater number of them to the great corporations which would be created as a result of such legislation, and by fair-minded people, familiar with the facts, could but be regarded as an unfriendly act committed against the Filipino people.

AREA AND RICHNESS OF LANDS.

Of the 73,000,000 acres of land in the Philippine Islands, the Philippine Commission reports that 65,000,000 acres are arable and capable of producing enormous crops. When Secretary Taft was before the Insular Committee, he said (p. 265) :

Mr. Moody. Are the islands, in respect to soil and climate and labor conditions, capable of indefinite extension along the line of the production of sugar?

Governor TAFT. Yes, sir.

Mr. Moody. So that it is another place where the sugar of the world can be produced?

Governor TAFT. Yes. I have no doubt that there is enough land there, if the sugar was properly cultivated, to raise—well, I do not know how much Cuba can raise, but if conditions favor us we are going to be a great sugar-producing archipelago, if I can use the word "we" in that editorial sense. * * *

Mr. HITT. It is said by experts on the Hawaiian and Philippine and Cuban lands that the Philippine lands are as good as the Cuban lands.

Governor TAFT. Yes, sir.

It is well known that the Rio Grande Valley, on the south side of the island of Mindanao, is one of the richest valleys in the world. A gentleman who had personally gone over this valley recently stated to me that he had measured wild sugar cane in that valley 27 feet in length. He states that this valley alone is from 25 to 50 miles wide and about 100 miles long, thus containing somewhere from 1,600,000 to 3,200,000 acres. The land is said to be richer than that of Cuba, which produces an average of $2\frac{1}{2}$ tons of sugar per acre, hence the

minimum figures show that this one valley would produce 4,000,000 tons of sugar annually. The Butjuan Valley, on the north side of the island of Mindanao, is said to be 30 miles wide, as level as a floor, and fully 75 miles long, lies at an elevation of about 15 feet above the bank of a river 36 feet deep and a mile wide, and would produce another 4,000,000 tons of sugar.

It is admitted that there are 25,000,000 to 30,000,000 acres of well-defined cane-sugar lands in the Philippine Islands, and these lands are richer than the sugar lands of Cuba; in fact, as rich as those of Hawaii. In the Philippines they plant but once in seven to fifteen years and reap a crop every year, while in Hawaii they plant for each crop and get but one crop in two years.

When one stops to think that at $2\frac{1}{2}$ tons per acre the admitted 25,000,000 acres of well-defined sugar lands in the Philippines are capable of producing 62,500,000 tons of sugar annually, while the total world consumption is but 10,000,000 tons, and that it would only take 4,000,000 acres to supply the entire annual world crop of sugar, and but 600,000 acres to supply the sugar which the United States annually imports, the throwing open of our protected sugar and tobacco market to islands possessing 65,000,000 acres of arable land, populated by 8,000,000 of natives who work for 6 cents a day, it must necessarily cause those who are interested in the home industry to pause for reflection as to what the consequences would be on the home industry.

DISTANCE AND FREIGHT RATE.

It is well to bear in mind that while the Philippines are 7,000 miles away geographically, they are, as a matter of fact, commercially exceedingly close to this country. The freight on sugar from the Philippines and Java to New York is but 25 shillings per long ton, or 26.7 cents per hundred pounds, while to San Francisco by steamer it is 20 shillings per ton, or $21\frac{1}{2}$ cents per hundred pounds, and by sail to San Francisco it is but 12 shillings, or $12\frac{1}{2}$ cents per hundred pounds. You will thus see that the freight from the Philippine Islands to the United States is lower than it is from our local sugar factories to many of their points of shipment, as low, in fact, as it is from Omaha to Chicago. We gave Cuba 20 per cent off of our tariff rates, which on 96° sugar amounts to 33.7 cents per hundred pounds. The freight from Cuba to New York is about 8 cents per hundred, leaving the reduction, less freight, 25.7 cents per hundred. We have already given the Philippines 25 per cent off, or 42.1 cents per hundred pounds, or after deducting freight to New York, it amounts net to 15.4 cents per hundred pounds; to San Francisco by steamer, 20.6 cents, and by sail to San Francisco, 29.3 cents per hundred pounds.

It will thus be seen that by sail to San Francisco the Philippines already enjoy a greater reduction than does Cuba to New York, and that by steamer to New York there is only 10 cents difference per hundred pounds in favor of Cuba, which is offset over and over again by the 6-cent Philippine wage rate as against the \$1 a day wage rate of Cuba.

POPULATION AND CIVILIZATION—CUBA VERSUS PHILIPPINES.

Furthermore, Cuba has a population of but a million and a half, while the Philippines have a population of 8,000,000. Still further,

the progress of civilization in Cuba, owing to its contiguity to the United States, has been and will be much more rapid than it will be in the Philippines, where they are surrounded by oriental conditions; consequently it will be a long time before anything like a reasonable civilized wage rate is paid in the Philippine Islands.

IRRIGATION AND BEET SUGAR.

The day that President Roosevelt signed the national reclamation act a leading Administration official said to him:

Mr. President, you have to-day solved the problem of producing at home the sugar we consume, for below every dam that the Government constructs there will be one or more beet-sugar factories, which will furnish the farmer his quick money crop. Sugar beets are the most natural crop to raise under irrigation and ship the surplus product to our eastern centers of population. Sugar is a high-priced product and one of the few products that will stand the necessary long-haul freight charges to the great centers of population in the East.

The delegates to the National Irrigation Congress understand the importance this great industry bears to the development of semiarid America, and these congresses speak out in no uncertain manner.

Following is the resolution unanimously adopted by the 1903 congress, assembled at Ogden, Utah, September 15 to 18:

Whereas the culture of sugar beets is already one of the most important industries of the arid West; and

Whereas our home market now requires the annual importation of over \$100,000,000 worth of this commodity, the most natural product that can be produced under irrigation and shipped in great quantities to our large centers of eastern population; and

Whereas, under the national irrigation act, the culture of beets will afford our greatest quick money crop; and

Whereas it is being urged that the United States Congress further stimulate the sugar industry of the Philippine Islands by reducing our tax upon Philippine sugar, by increasing the present limit of 2,500 acres, which individual corporations can now hold, to 25,000 acres, and by the introduction of contract cooly Chinese labor: Therefore, be it

Resolved, That we hereby protest against the enactment of any legislation which will tend to arrest the full development of the American sugar industry by extending further concessions to the employers of cheap Asiatic labor; that we are unalterably opposed to the introduction of contract cooly labor wherever the American flag floats, and that legislative agitation or attacks on the sugar interests of this country should cease, to the end that this great industry may develop in common with all our other great industries.

And again, in 1904, at El Paso, Tex., they unanimously adopted the following:

It is the sense of this congress that the irrigated lands of the arid and semiarid West are demonstrated to be admirably adapted to the production of beet sugar, and therefore we favor such national legislation as will tend to encourage that industry on such lands.

These vigorous and pointed resolutions show what an important part the friends of irrigation expect the development of the beet-sugar industry will play in opening up and populating arid America and with what apprehension they regard this Philippine menace. The fact is that the cultivation of the sugar beet is the one thing which must be relied upon to rapidly develop and populate semiarid and arid America, where the late Professor Powell, of the Smithsonian Institution, stated that there was enough land and enough water that the two, married, would support in affluence a population of 70,000,000 of people.

The eastern farmer, surrounded as he is with a dense population, has a market at his door for all the surplus crops he can raise of any and all descriptions, but the irrigation farmer is limited as to what he can grow, the price of which per ton will enable him to pay the necessary long-haul freight charges to get it to market. The eastern farmer who grows but one crop of hay per season finds in the near-by village a market for every ton he wishes to dispose of. The irrigation farmer who grows five or more crops of alfalfa per season must feed it to stock or throw it away. The irrigation farmer grows fine fruit, but it takes years to bring his orchard to the bearing age, and when he does succeed in getting it there the necessarily high freight charges eat-up the most of his profit. He grows fine fields of wheat, barley, and other cereals, but he can not, under irrigation, expect to be able to compete with the same crops grown in the Mississippi Valley. He can, however, contract for sugar beets at a handsome profit before he even sows the seed and five months from the planting secure the cash for his labor, and the purchaser of his crop can profitably dispose of the resultant sugar in various portions of the United States. Under present conditions the semiarid farmer can secure a goodly portion of the \$140,000,000 which we are now annually sending abroad for sugar. Reduce the tariff on Philippine sugar and the American farmers will be robbed of a home market for \$140,000,000 worth of what they can produce, and the very purpose of the national reclamation act will be defeated by taking away the best crop that can be raised under irrigation. The present beet-sugar industry and the cane-sugar industry of Louisiana, Texas, Hawaii, and Porto Rico will, if not absolutely ruined, be greatly depressed, and their further development will be an impossibility.

The eastern market for all other surplus crops that can be grown in arid America is not worth a fraction of what it is for sugar alone. I defy anyone to point to any combination of crops which can be grown for shipment out of arid America which offer such a field for the poor immigrant to acquire a small tract of land, pitch his tent, and immediately be able to make a living for himself and family.

UNITED STATES IMPORTATION OF PURELY TROPICAL PRODUCTS.

From Brazil and other tropical countries of South and Central America, and from tropical islands, we annually import from \$150,000,000 to \$200,000,000 worth of coffee, rubber, fibers, spices, and other purely tropical products, not a pound of which can we ever hope to produce in the United States, and every one of which grows to perfection in the Philippine Islands.

In 1900 we paid to Brazil alone nearly \$53,000,000 for coffee and rubber, which should be produced in the Philippine Islands where both grow to perfection.

In 1871 we were collecting an import duty of 3 cents per pound on coffee. We then took the tariff off of coffee and Brazil immediately put on an export duty, thus transferring nearly \$8,000,000 from our Treasury to hers and giving us no cheaper coffee.

During the subsequent twenty-eight years the United States lost in revenues \$304,869,852.84 on Brazilian coffee alone, and the Brazilian trade balance against the United States during the same period has amounted to the enormous sum of \$1,328,167,670.

Instead of encouraging exploiters to make slaves of the Filipino people by stimulating the Philippine sugar industry, and thereby taking tens and hundreds of millions of dollars out of the pockets of the American farmers and ruining an investment in the American beet and cane sugar industry already amounting to \$150,000,000, why not encourage the Filipinos to become land-owning, educated, self-respecting citizens by enabling them to produce at least a goodly portion of what we now buy, and will always be obliged to buy, from tropical countries?

We are under some little obligation to our own farmers, laboring men, mechanics, and manufacturers. We are under no obligation to Brazil or any other tropical country we do not govern.

Could it be easily done? Legislators to whom I have submitted the matter say yes. It could be done in either of two ways. First, the expenses of operating our National Government are exceeding our income by \$25,000,000 to \$50,000,000 a year, and a reasonable tariff on tropical noncompeting products grown in foreign countries, but which should be produced in our island possessions, would both encourage these industries in our island possessions and raise money to meet the national deficit.

Secondly, if at present it be not deemed wise to enact such revenue-producing measure, a duty of, say, 5 per cent could be levied on those commodities coming from foreign countries and the money be covered into a special fund and remitted to the governments of the Philippines, Hawaii, and Porto Rico, to be there used to encourage the development of those industries.

This would increase the cost of our coffee and sisal grass by three-tenths of 1 cent per pound, our jute by two-tenths of 1 cent, and our rubber by 5 cents per pound, and it would place \$10,000,000 per annum at the disposal of our insular governments for the purpose of encouraging these industries.

This would appear to be better policy than to rob the American sugar-beet farmer of the \$12,000,000 he already receives annually for sugar beets, the Louisiana and Texas farmers of the \$12,000,000 to \$15,000,000 they are now annually receiving for sugar cane, and ruining \$150,000,000 of capital now invested in machinery for extracting the sugar from these raw materials, not to speak of the extra \$140,000,000 which we now annually send abroad for sugar and which the American farmer soon expects to receive.

And this is not all, for neither Porto Rico nor Hawaii, which together now produce a half a million tons of sugar annually, can hope to compete without tariff protection with the Philippine wage rate of 6 cents per day.

A simple way in which to reasonably promote the sugar and tobacco industry of the Philippine Islands would be to take no action until the termination of the Russo-Japanese war and then perfect a treaty with Japan whereby Philippine sugar and tobacco would be admitted into Japan free of duty. Japan raises but little of these products, has a rapidly increasing market, wants the Philippine sugar and tobacco, and is ready and anxious to enter into such a treaty, thus keeping the competing products of the Orient in the Orient.

PHILIPPINE CUSTOMS AND INTERNAL-REVENUE RECEIPTS.

The customs revenues arising from goods shipped into Porto Rico and Hawaii are covered into the United States Treasury, and the local governments are wholly supported by internal taxation.

The customs revenues of the Philippine Islands are retained by the Philippine government.

The auditor's report for 1903 shows that the total insular revenues for that year amounted to \$10,532,054.34, of which 87 per cent, or \$9,215,551.88 was derived from customs dues, which revenues, as stated, are in Hawaii and Porto Rico covered into the United States Treasury, the local governments of those islands being maintained by internal taxation. Customs revenues fall on the people of a country and not directly on its industries. The greater the customs revenues the less the internal taxes, and consequently the lower the rate of taxation on industries. Hence, under existing conditions Philippine industries, enjoying practical exemption from internal taxation, are not entitled to be placed on the same basis with our custom-houses as are those of Hawaii and Porto Rico.

Take away from the Philippine government the customs receipts, and all the rest of the receipts for a year, including even postal receipts, would only maintain that government for about thirty days. Further than this, every dollar of United States customs dues now levied on importations from the Philippine Islands are covered into a special fund, remitted to the Philippine treasury, and expended by the local government, thereby reducing their internal taxation by that amount.

DOES IT PAY.

In a public address at Newark, N. J., October 25, 1904, Secretary of War Taft placed our expenditures in the Philippine Islands at \$204,000,000 from the beginning of American occupation to May 1, 1902. Secretary Taft, in the same speech, stated that the cost to the home Government of running the Philippine Islands will not exceed \$4,000,000 a year. Add to this 2 per cent interest on the \$204,000,000 invested up to date and it will be seen that the islands cost us in round numbers \$8,000,000 a year.

Now, what are we getting out of it, commercially speaking? Last year we took \$11,000,000 worth of her \$30,000,000 worth of exports, or over 33½ per cent. Of the \$38,220,761 worth of goods which the Philippines imported, they bought but \$4,633,216 worth from us. In other words, for every dollar this Government expends in running the Philippines the Philippine people purchase but 50 cents worth of goods from our manufacturers and tradesmen, while they spend \$3.50 in Europe and Asia. Commercially speaking, this is hardly a paying proposition.

The fiscal year ending June 30, 1902, the Philippine Islands sent to North America (including the United States) goods to the value of \$7,703,189, and they purchased from us goods to the value of \$4,087,354, or about 50 per cent as much as they sent us. In 1904 they increased their exports to the United States to a total of \$11,121,502, and they purchased of us goods to the total of \$4,641,739. Thus it will be seen that while they nearly doubled their exports to us, they only purchased from us the same amount of goods they pur-

chased before. During this time their imports from Asia increased by over \$2,000,000. In other words, they disposed of an extra surplus crop to us and took the bulk of the extra money which we paid them and expended it in the Orient. If we establish a great sugar industry in the Philippine Islands it will mean that the \$140,000,000 which would otherwise go to the American farmers will go to the Philippine planters, who employ labor at 6 cents per day and make their purchases in the Orient instead of in the United States.

The same thing has happened with Cuba. We spent several hundred millions of dollars and great quantities of good American blood to free the island from the yoke of Spain. Then the free entry to our markets for her raw sugar was demanded. We fought it down to a 20 per cent reduction, and might have defeated it entirely had not so many of our ordinarily high protection manufacturers been beguiled into the belief that if we sacrificed a piece of the home sugar industry and thereby secured a 20 to 70 per cent reduction on the Cuban tariff schedules a vast, juicy, fat market awaited the American manufacturer.

So many of these great interests deserted us that we felt compelled to compromise and give Cuba a special tariff reduction of 20 per cent. What has been the result? In 1904 the United States importation of Cuban products (mostly sugar) exceeded our 1902 purchases from that island by \$42,288,734, representing an increase of 120 per cent.

And to what extent did Cuba "make good" her promise of that rich tropical market for American goods? She spent in Europe a little more than \$42,000,000 of what she got from us and sent us back the odd thousands, or, to be more accurate, she increased her purchases from us by but \$285,486. So that while by "reciprocity" Cuba increased her sales to us by 120 per cent, our sales to Cuba have increased only $1\frac{1}{2}$ per cent.

When this Cuban reciprocity measure came up there were 86 projected beet-sugar plants in the United States, and all of these, with the exception of 6 only, have since been abandoned. From 1810 to 1813 there were erected in France 334 beet-sugar factories, and just prior to the Cuban reciprocity agitation it certainly seemed fair to believe that we would to-day have in operation at least 150 new beet-sugar factories, which would profitably employ not less than \$100,000,000 for construction work alone; which would annually pay out to farmers \$40,000,000 extra, and turn out from 800,000 to 1,000,000 tons of sugar. Instead of this we encouraged Cuba to produce this sugar, we purchased it from her, and the \$42,000,000 which should have gone to the American farmer went to Cuba and has been expended in Europe, not benefiting the United States one iota. Had these factories been erected here there would have been created a market for eastern-made machinery and other goods to the value of not less than \$100,000,000, and in addition to this American farmers would be receiving annually over \$40,000,000 for their beet crop, every dollar of which would have circulated through our various marts of trade. When you turn \$42,000,000 of American money into the hands of the Cubans they spend it in Europe, but when you turn \$42,000,000 into the hands of our sugar-beet growers they spend it at home, and it eventually gets back to our great manufacturing centers.

FUTURE COST OF PRODUCTION OF SUGAR FROM AMERICAN-GROWN BEETS.

I take it that further Philippine tariff reduction is likely to come in due course of time, but it should not come until the Philippines greatly raise their wage rate on sugar haciendas and become at least semicivilized, and until the brains and capital already engaged in the home industry, and which will come to it under favorable circumstances if let alone, enable us to perfect the various improvements now under way.

Two years ago I wrote you at length concerning my suggestions of producing single-germ beet seed. The work was begun immediately by the Government and the first crop of seed from beets grown from 2,500 selected single-germ beet balls has just been harvested. I understand that 30 per cent of this seed came single germ and the expectation is that in four to six years more it will be an established thing, saving the farmers \$6 per acre of actual labor, eliminating the hand work of thinning on hands and knees, and at least doubling the tonnage per acre on account of no injury being done to the remaining beets by hoeing out the superfluous ones, each plant standing 1 to 3 inches apart, depending upon how closely the seed is drilled in. If the sugar beets which the farmer now sells to the factory at an average price of \$5 per ton cost him \$3.50 per ton to produce, his crop grown from single-germ beet balls should not cost him to exceed \$1.50 a ton.

The Government has taken charge of the scientific work on one of our sugar-beet seed farms in the State of Washington, and expects to be able to produce a strain of seed as high in sugar content as the best beets selected at the outset, which is 25 to 28 per cent. These mother beets should give factory beets of 23 per cent sugar, and, with a loss in extraction of 3 per cent, would enable the factory to turn out 400 pounds of granulated sugar per ton of beets. According to the Government report on the home-sugar industry for 1902, the average amount of sugar extracted per ton of beets was 221 pounds; hence this anticipated extra production of 170 pounds would nearly cut in two the present factory cost of producing sugar from American-grown beets.

Doctor Wiley, chief of the Bureau of Chemistry, Department of Agriculture, is to experiment this coming month with sugar "concrete," and, if successful, each factory, by increasing its investment 25 per cent, can operate three near-by "concrete" plants, shipping in the "concrete" to the main factory after the local campaign has been concluded and thus operating the year through and quadrupling its product, which would greatly lessen the cost of production.

Experiments are being made this year with an invention designed to remove the impurities of the juice at the outset instead of from the waste molasses after coming down through all the various processes, the inventor claiming that it will reduce the cost of a beet-sugar plant by 50 per cent, the labor to operate it by 33½ per cent, yield an average excess of 20 pounds of sugar per ton of beets, besides saving several valuable by-products.

All these matters lead to an eventual cost of production of granulated sugar from American-grown beets of something like 2 cents per pound, but it takes not only money and brains to perfect these improvements, but it takes time.

We can offer the Philippine Islands a perpetual market for nearly \$200,000,000 worth of purely tropical products annually. But whatever magnitude their sugar industry may reach, those who put their money into it will some day be compelled to fight a battle royal with the educated, scientific American farmer which will be costly for both and ruinous for one. Never in the history of the world has the nervous energy of the Temperate Zone succumbed to the listless workers of the Tropics, and it remains to be seen whether or not the sugar industry is to furnish the exception. Wise legislation would render such a battle unnecessary and with profit to all concerned. Unwise legislation will surely precipitate it and bring want and sacrifices to both.

Sugar beets and sugar cane are two of the few crops which American farmers are able to raise at a profit under protection, and which they could not raise at a profit without protection, and they should be aroused to take immediate and most urgent action and, in self-defense, save what is theirs by right, as promised in the pledges made in the Republican platforms of 1896 and 1900.

My business here is to guard the interests of the American beet-sugar farmers and the American beet-sugar factories which furnish the market for their crops. I have stated to you the facts as I see them, and my recommendations are as follows:

From the President of the United States down our legislators and other public men should be given to understand that when the sugar-beet and tobacco farmers and cigar workers contributed so liberally and generously toward creating such an overwhelming vote for the "stand-pat" idea they did not do it with a view of "standing pat" for all smokestacks and to sacrifice their two agricultural industries and one of their great trades as burnt offerings. If it is just to place the American farmer and agricultural laborer in direct competition with oriental labor receiving a wage rate of but 6 cents per day, it would be equally just to subject our manufacturing classes to similar competition, which would close up our eastern factories as well as our beet-sugar plants, and let our other manufactured goods as well as our sugar be produced under semislave oriental conditions. As between our manufactures and our agricultural products, it is time to impress our legislators that they should not make fish of one and fowl of the other.

The process of protecting manufactured goods by sacrificing agricultural products has been going on more or less for some time, until but little protection is left for the farmer, while he pays a protected price for nearly everything he buys.

People in Congress should be squarely given to understand that if sugar and tobacco are to be hit again, the manufactured products which the farmers buy should also be hit, so that the farmers will get some little compensating advantage for being robbed of a market for two of their profitable crops, and that agriculture, which last year furnished over \$853,000,000 worth of our exportations, as against \$452,000,000 worth of manufactured products, does not propose to sit calmly by and make all the sacrifices as it is making under the working of the Cuban reciprocity treaty which recently went into effect.

If the farmers are at all interested in preserving a market for their sugar beets, now is the time they must take off their coats and write

a dozen or more letters—not a very hard matter—but it is the only course that will save their market for sugar beets.

A Philippine tariff reduction at the present moment would check all growth of the industry and perhaps result in its complete and early ruination, the bulk of the loss eventually falling upon the farmers. If left alone as at present and given a chance to develop, a few years hence the home industry can snap its fingers at tariff schedules, the American people will be purchasing their sugar at the lowest price known in the world, and every dollar of the \$140,000,000 they now annually spend abroad for sugar will be kept at home and will come back to them.

I believe that if the 75,000 to 100,000 American sugar-beet farmers were made to understand their danger, immediate danger, they would rise to the occasion and flood their Congressmen with protesting letters, and that, if their letters went unheeded, would work to see that the present incumbents would be left at home after the next election. At all events, give your farmers, one and all, a chance to fully understand the question and I am confident that they will rise up and assert their rights.

It would be strange if some of the beet-sugar factories did not have some little differences with some few of their multitude of farmers, but every sugar-beet farmer should know and realize that the investment of a half million or a million dollars of money in a beet-sugar factory in his vicinity is just so much insurance that he will be treated right and, in the end, have these differences adjusted to his satisfaction, for, if not treated right, and the farmers refuse to grow the beets, the factory is a dead loss. The interests of the farmers and manufacturers in this tariff matter is mutual, and all should join in and fight for their national rights, well knowing that any local differences will be adjusted.

Your farmers and other interested people can take it for granted that their Senators and Representatives in Congress are anxious to please their constituents, and when they sometimes vote contrary to the ideas of their constituents it is generally because their constituents have not made their desires known to them. A member of Congress who knows what his people at home want him to do is most fortunate, for he makes few mistakes, and instead of a lot of letters concerning a pending piece of legislation on which he must vote "aye" or "nay" being disregarded and considered in the light of a nuisance, such letters are welcomed and regarded with great favor, as they remove any doubt in their minds as to what course to pursue. On other pieces of legislation where the people at home were alive to their interests, I have too often noted the effect of a large number of letters to think for an instant that they are not both welcomed and heeded.

It has been suggested that while those who are interested in the industry have been filled with gratitude for their friends who have stood by it in both Houses of Congress, their gratitude has not been as freely expressed as it might have been. This is due, in a measure, perhaps, to the fact that while I have represented the industry here for the past three years, it had not occurred to me to apprise the 75,000 to 100,000 farmers and as many more manufacturers and others who are interested in its welfare as to just which Members of Congress deserved their thanks. Hereafter I will not only thoroughly

analyze the attitude and votes of your representatives in both Houses, when they relate to sugar, but I will see that such analyses are placed in the hands of all who have interests at stake, to the end that the thanks received will be of a more specific and widely distributed nature, and, if there should be those who are indifferent to their home interests, those home interests can also show indifference; can see that at the next election they are "elected to stay at home." Surely the votes of 75,000 to 100,000 farmers, and as many more laborers, storekeepers, professional men, bankers, etc., who look to this industry either in part or in whole for their income, should be able to keep their friends in Congress.

Do not for one moment consider that any of the above statements of fact are wide of the mark, and that we will be unable to prove them, for I am preparing with great care official documentary evidence, which, I believe, will fully substantiate each and every statement of fact herein made, all of which evidence will, of course, be laid in detail before the committees of Congress when this bill comes before them for consideration.

When this time comes I propose that the facts above stated shall be fully substantiated by the annual reports of the Philippine Commission and by other unquestionable testimony, which should convince any fair-minded man that the conclusions above drawn are the only tenable conclusions which can be formed.

If, after that, the matter should come up for consideration on the floor of either or both Houses of Congress, our friends in those Houses will be fully prepared to show to the American people at large the injustice of the whole proposition.

Those to whom each of your farmers and professional and business men should immediately write are as follows:

Their Congressmen and their two Senators.

The President of the United States, Theodore Roosevelt.

The Vice-President-elect of the United States, Senator Charles W. Fairbanks.

The chairman of the Committee on Ways and Means, Hon. Sereno E. Payne, of New York.

The chairman of the Committee on the Philippines, Hon. Henry Cabot Lodge, of Massachusetts.

Also the following champions of the "stand pat" idea:

Hon. John Dalzell, of Pennsylvania, and Hon. Charles H. Grosvenor, of Ohio, the next two ranking members of the Committee on Ways and Means.

Senators Nelson W. Aldrich, of Rhode Island; Orville H. Platt, of Connecticut; William B. Allison, of Iowa; Eugene Hale, of Maine; John C. Spooner, of Wisconsin, and Stephen B. Elkins, of West Virginia.

I am alarmed, and have given you my reasons for the same. I have been requested to lay the matter before you, and have done so. It now remains for you to act or suffer a bill for a further reduction on Philippine sugar to become a law. If you act, you must act at once, or it will be too late.

Very respectfully yours,

TRUMAN G. PALMER,
Secretary American Beet Sugar Association.

BILL UNDER CONSIDERATION.

[H. R. 3. Fifty-ninth Congress, first session. By Mr. Payne.]

A BILL to amend an act entitled "An act temporarily to provide revenue for the Philippine Islands, and for other purposes," approved March eighth, nineteen hundred and two.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the second section of the act entitled "An act temporarily to provide revenue for the Philippine Islands, and for other purposes," approved March eighth, nineteen hundred and two, is hereby amended to read as follows:

"SEC. 2. That on and after the passage of this act there shall be levied, collected, and paid upon all articles coming into the United States from the Philippine Islands the rates of duty which are required to be levied, collected, and paid upon like articles imported from foreign countries: *Provided*, That all articles wholly the growth and product of the Philippine Islands coming into the United States from the Philippine Islands shall hereafter be admitted free of duty, except sugar and tobacco, manufactured and unmanufactured, upon which there shall be levied, collected, and paid only twenty-five per centum of the rates of duty aforesaid: *And provided further*, That the rates of duty which are required hereby to be levied, collected, and paid upon products of the Philippine Islands coming into the United States shall be less any duty or taxes levied, collected, and paid thereon upon the shipment thereof from the Philippine Islands, as provided by the act of the United States Philippine Commission referred to in section one of this act, under such rules and regulations as the Secretary of the Treasury may prescribe; but all articles the growth and product of the Philippine Islands admitted into the ports of the United States free of duty under the provisions of this act, and coming directly from said islands to the United States for use and consumption therein, shall be hereafter exempt from any export duties imposed in the Philippine Islands: *Provided, however*, That in consideration of the rates of duty aforesaid, all articles wholly the growth and product of the United States, going into the Philippine Islands, shall hereafter be admitted free of duty, except sugar and tobacco, manufactured and unmanufactured, upon which no higher rate of duty shall be levied, collected, and paid than is laid upon articles of like character coming from the Philippine Islands into the United States: *And provided further*, That on and after the eleventh day of April, nineteen hundred and nine, all articles and merchandise going from the United States into the Philippine Islands, and all articles wholly the growth and product of the Philippine Islands coming into the United States from the Philippine Islands, shall be admitted free of duty: *And provided further*, That in addition to said duty when levied and in case said articles are admitted into the United States free of duty, there shall be paid upon articles of merchandise of Philippine Islands manufacture coming into the United States and withdrawn for consumption or sale a tax equal to the internal-revenue tax imposed in the United States upon the like articles of merchandise of domestic manufacture; such tax to be paid by internal-revenue stamp or stamps to be purchased and provided by the Commissioner of Internal Revenue and to be procured from the collector of internal revenue at or most convenient to the port of entry of said merchandise in the United States, and to be affixed under such regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe, and such articles of Philippine Islands manufacture mentioned in this proviso shall be exempt from payment of any tax imposed by the internal-revenue laws of the Philippine Islands: *And provided further*, That in addition to the duty hereinbefore provided when levied and in case said articles are admitted into the Philippine Islands free of duty, there shall be paid upon articles of merchandise manufactured in the United States and going into the Philippine Islands and withdrawn for consumption or sale, a tax equal to the internal-revenue tax imposed in the Philippine Islands upon the like articles of merchandise when manufactured in the Philippine Islands; such tax to be paid by internal-revenue stamp or otherwise as provided by the laws in force in the Philippine Islands upon the like articles; and such articles manufactured in the United States mentioned in this proviso and going into the Philippine Islands shall be exempt from payment of any tax imposed by the internal-revenue laws of the United States. All the moneys collected under this section as amended shall be paid over and disposed of as provided in section four of the act hereby amended, and shall not be covered into the Treasury of the United States."

APPENDIX.

PUBLIC HEARINGS

IN THE

PHILIPPINE ISLANDS

UPON THE

PROPOSED REDUCTION OF THE TARIFF UPON PHILIPPINE SUGAR AND TOBACCO, THE EXTENSION OF THE UNITED STATES COASTWISE NAVIGATION LAWS TO THE PHILIPPINES, AND THE GENERAL ECONOMIC CONDITIONS IN THE ISLANDS, HELD DURING THE MONTH OF AUGUST, 1905,

BEFORE

THE SECRETARY OF WAR

AND THE CONGRESSIONAL PARTY ACCOMPANYING HIM TO THE ISLANDS, CONSISTING OF

SENATORS:

FRED T. DUBOIS, IDAHO.
MURPHY J. FOSTER, LOUISIANA.
CHESTER I. LONG, KANSAS.
FRANCIS G. NEWLANDS, NEVADA.

THOMAS M. PATTERSON, COLORADO.
NATHAN B. SCOTT, WEST VIRGINIA (PRE-SIDING).
FRANCIS E. WARREN, WYOMING.

REPRESENTATIVES:

W. BOURKE COCKRAN, NEW YORK.
HENRY A. COOPER, WISCONSIN.
CHARLES CURTIS, KANSAS.
DAVID A. DE ARMOND, MISSOURI.
MICHAEL E. DRISCOLL, NEW YORK.
GEORGE EDMUND FOSS, ILLINOIS.
NEWTON W. GILBERT, INDIANA.
FREDERICK H. GILLETT, MASSACHUSETTS.
CHARLES H. GROSVENOR, OHIO.
WILLIAM P. HEPBURN, IOWA.
EBENEZER J. HILL, CONNECTICUT.
WILLIAM M. HOWARD, GEORGIA.

WILLIAM A. JONES, VIRGINIA.
NICHOLAS LONGWORTH, OHIO.
GEORGE A. LOUD, MICHIGAN.
WILLIAM B. MCKINLEY, ILLINOIS.
DUNCAN E. MCKINLAY, CALIFORNIA.
THEOBOLD OTJEN, WISCONSIN.
HERBERT PARSONS, NEW YORK.
SERENO E. PAYNE, NEW YORK.
CHARLES F. SCOTT, KANSAS.
SWAGAR SHERLEY, KENTUCKY.
GEORGE W. SMITH, ILLINOIS.
ARIOSTO A. WILEY, ALABAMA.

PHILIPPINE PUBLIC HEARINGS.

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APPENDIX.

PUBLIC HEARINGS UPON THE PROPOSED REDUCTION OF THE TARIFF UPON PHILIPPINE SUGAR AND TOBACCO, THE EXTENSION OF THE UNITED STATES COASTWISE NAVIGATION LAWS TO THE PHILIP- PINES, AND THE GENERAL ECONOMIC CONDITIONS IN THE ISLANDS.

SUGAR.

MANILA, P. I., *August 7, 1905.*

The meeting was called to order at 3.50 p. m. by Governor-General Wright, who stated that he had received a cablegram from the Secretary of War a few weeks since, informing him that the Senators and Congressmen who were to accompany him to the Philippine Islands upon his visit of inspection desired to hold public hearings, at such places as might be convenient, for the purpose of becoming informed as to the actual situation in regard to agriculture, and especially with relation to the cultivation of sugar cane and tobacco, and also the general coastwise trade. It was for the purposes thus outlined that this meeting had been called. As the hearing was held upon the initiative of the Senators and Congressmen accompanying the Secretary of War, the Governor-General stated that it would seem proper that the gentlemen in question should conduct the proceedings themselves. The Governor-General accordingly stated that he would take the liberty, in the absence of Senator Warren, to request Senator Scott to take the chair and preside over the meeting.

Senator Scott then took the chair and called the meeting to order.

The CHAIRMAN. Mr. Governor-General, members of the delegation, fellow-citizens, and Filipinos, we are here for the purpose of getting information. We would like very much to have your leading men who are interested in sugar and tobacco growing, or any other industry, appear before this committee of gentlemen to enlighten us upon the manner and methods and along the line

that you think we should act. I take it that the members of the Congressional committee that are here will desire to ask questions, and if the parties are submitting papers and making statements we hope that they will not feel hurt or take it as an offense if we should interrupt them with questions pertaining to the subject which they are discussing. I understand that we have gentlemen present who will now take up the sugar question, and we shall be glad to hear them.

STATEMENT MADE BY COMMISSIONER JOSE R. LUZURIAGA.

Commissioner LUZURIAGA. Honorable Secretary of War, Senators, and members of Congress, since we were advised of your coming we have proposed to lay before you a representation of the actual conditions under which we labor in regard to agriculture in these Islands. It is our desire now that you should listen to what we have to say upon this point and if possible follow out our desires. That our hope that you will listen to us has not been misplaced is proven by the holding of this meeting. It is for the purpose of making clearer to the members of the Congress of the United States the true circumstances of our agriculture in general and especially as respects our sugar production, which has suffered so very much by reason of the war, by the destruction of cattle through rinderpest, by the locusts and from other diseases of an epidemic character, as well as also from a lack of capital and of labor with which to develop our interests and a market where we can sell that which we do produce. Now that the rate of import duty which is collected in the ports of the sovereign country under the Dingley tariff constitutes for us a prohibitory tax, which makes the cost of production so high as to render impossible the exportation of sugar from the Philippine Islands to the United States, the condition of the industry has become indeed lamentable. Availing ourselves, therefore, of this opportunity, which it is difficult to imagine will again present itself in these Islands, many agriculturists both from Luzon and the Visayan Islands have come to attend this session, being desirous of representing to the high consideration of the visiting delegation the ruinous condition of our fields, and taking into consideration the enormous backward state of our methods of cultivation which are primitive and rudimentary, we are sure that Philippine sugar can never compete with the article as produced in

America by scientific methods, and with the advantages possessed by a rich country like the United States.

The CHAIRMAN. May I ask, if it can not compete with the sugar raised in the United States, why ask for any change to enable its being admitted there?

Commissioner LUZURIGA. We ask it because sugar constitutes one of the largest industries in the Philippine Islands and because it is necessary for us to find a market for this article; and we realize, therefore, that unless we do find a market for this product, the industry of sugar raising in the Islands will entirely disappear.

Representative GROSVENOR. In the interest of having an intelligent record, would it not be well to let this statement, which is a written, prepared statement, be made in full to the close, and then let such questions be put in the way of a cross-examination as any gentlemen might see fit to suggest, and thus avoid breaking up the thread of the speaker's argument until he has completed it? I merely suggest that.

The CHAIRMAN. Very well. If there is no objection we shall proceed in that manner.

Commissioner LUZURIGA. I will conclude my remarks in a few words. My only purpose is to make a few introductory observations in order to present to the committee the few gentlemen who are going to speak upon the subject. The following planters are present at this meeting: Mr. Leon Miguel Heras, of Florida Blanca, Pampanga; Mr. Esteban de la Rama, of Occidental Negros; Mr. Juan Araneta, of Occidental Negros; Mr. Francisco Hison, of San Fernando, Pampanga; Mr. Pedro Teopaco, of San Fernando, Pampanga; Mr. Pedro Henson, of San Fernando, Pampanga; Mr. Mariano Alimurong, of Bacolor, Pampanga; Mr. Tomas Dison, of Magalang, Pampanga; Mr. José Pedro Henson, Angeles, Pampanga; Mr. José Leoncio de Leon, of Bacolor, Pampanga; Mr. Francisco Liongson, of Bacolor, Pampanga; Mr. Juan de Leon, of Iloilo; Mr. Leocadio Joaquin of La Laguna; Mr. Mariano Cuí, of Cebu; Mr. Dionisio Jacosalem, of Cebu.

All these gentlemen represent the planters of these Islands and are devoted to the cultivation of sugar cane. They have come here for the purpose of petitioning the honorable Secretary of War and the Congressmen of the United States that they give us their valuable protection and assistance in securing from Congress the repeal of the Dingley tariff, or at least its reduction to 25 per cent of its present

figures with regard to the duty on the sugar produced in the Philippine Islands, and to demonstrate the justice of this petition they desire to have the following gentlemen speak before the committee:

Señor Leon Miguel Heras, Señor Esteban de la Rama, Señor Juan Araneta, and Señor Francisco Liongan. These gentlemen will in turn address the meeting, if that is in accordance with the wishes of those who form it.

Secretary TAFT. Mr. Chairman, might I here interrupt for one moment with a matter a little different from that now on hand? I was approached by a gentleman before the discussion began and asked whether it was the desire of the Congressional delegation to hear witnesses upon the general political conditions in the Islands, to which I replied that my understanding was that these hearings would be limited to the economic conditions; that the difficulty about going into general political conditions was, with the variety of feeling of the different gentlemen and the desire to be heard on such issues, it might lead to a discussion of such length that the delegation would not have time to hear all that ought to be heard, if these general questions were to be gone into. That, of course, every member present would be glad to hear anybody who might approach him upon any subject, but that this meeting, as I understood it, was for the discussion of economic conditions only. Now I do not like to be put in the attitude of having said something that is not the desire of the delegation and, therefore, before it is too late, I desire to report what I have said upon the subject and submit to the delegation the question as submitted to me.

The CHAIRMAN. Mr. Secretary, shall I ask for a vote from the delegation as to the question presented?

Secretary TAFT. I do not want to suppress what the delegation would like to hear.

Representative PAYNE. To bring this matter before the meeting, I move that the hearings be confined to economic questions.

Senator DUBOIS. Mr. Chairman, I suppose that it is unnecessary that we should have a vote on this question, as I understand that the representatives here are quite willing that Secretary Taft shall direct these proceedings in the way that he desires.

Secretary TAFT. If that be the attitude of the gentlemen, I am entirely willing to assume the responsibility of conducting the hearings in the manner I have outlined, and if the gentlemen

empower me to act in the manner I am perfectly willing to take the responsibility.

Representative PAYNE. In that case I will withdraw the motion I presented.

The CHAIRMAN. The motion is withdrawn and it is generally understood that we shall follow in the discussion the plan suggested by Secretary Taft, and it shall be confined to economic questions.

Representative HEPBURN. Before we proceed, suppose we take this attitude: Let the inquiry proceed as suggested, and if there is time and any gentleman desires to go into these other questions, let them be taken up later on.

Secretary TAFT. Yes; but for the present we will proceed as upon the economic questions only.

The CHAIRMAN. We would be glad to hear the first gentleman who desires to address the committee.

STATEMENT OF MR. LEON MIGUEL HERAS, OF FLORIDA BLANCA, PAMPANGA.

Señor HERAS. Mr. Chairman and members of the committee, I desire to read a paper upon the principal causes of the decline in the cultivation of sugar cane in the Philippine Islands and the present conditions of sugar cultivation in the Province of Pampanga.

Senator DUBOIS. Would it be proper to suggest that the paper instead of being read in Spanish be read directly in English to those who desire to hear it? Doubtless it will be printed in Spanish in the papers published in Manila in that language, and reading it in Spanish here will only require double time.

The CHAIRMAN. It is suggested that the paper be read in the English language only by the interpreter, in order to save time. As our time is so limited, I think it would be a good plan, if the gentlemen addressing the committee have no objection.

The statement of Señor Heras was then read, as follows:

PRINCIPAL CAUSES OF THE DECLINE IN THE CULTIVATION OF SUGAR CANE IN THE PHILIPPINES AND THE PRESENT CONDITIONS OF SAME IN THE PROVINCE OF PAMPANGA.

Capital.—The great scarcity of money is the principal cause of the precarious condition of those engaged in the cultivation of sugar cane, and it can almost be affirmed that 90 per cent of the planters in the province depend upon Chinese buyers, who never

advance money except at a rate of interest fluctuating between 20 and 40 per cent. This statement makes it easy to understand that it is impossible for the industry to prosper, having such interest to pay and selling the sugar at prices as low as the prevailing ones.

Cattle.—The great scarcity of cattle is another of the principal causes preventing the revival of agriculture in the Philippines, for the diseases that have decimated work cattle not only have not disappeared but have increased, as investigation will prove.

The difficulties with which the planter has to contend increase when we take into consideration the customs and manner of being of our rural population, unaccustomed to use the class of work animals employed in other countries, for which reason the carabao can not at the present time be substituted. For example, it has been attempted to employ oxen imported from China with negative results, 60 or 80 per cent having died soon after importation.

The share system in the cultivation of land.—One of the greatest disadvantages of the Philippine planter consists in the manner in which the land is worked, this being done in very unfavorable conditions, due in the first place to our tropical climate and to the few wants of our rural population.

Laborers.—The labor used in the manufacture of sugar is very high priced at present, owing to the increased price of staple articles and, as has been stated, to the loss of work cattle, resulting in a large reduction in the area under cultivation. A large number of the laboring people, always scarce, have gone to Manila in search of work not to be had in the province, and owing to this great scarcity planters have now to pay treble and even quadruple the old wages.

It is well to note that this scarcity of laborers is due in a large measure to the custom among the great majority of our working people of not desiring to change their place of residence for any length of time. It is for this reason that, in spite of the lapse of a great number of years, no plantation in the province has produced more than 10,000 pilones—that is to say, about 680 tons—95 per cent of the planters producing only from 20 to 200 tons.

To prove the scarcity of hands and that our working people are not inclined to emigrate, the fact can be cited that in the hemp districts a laborer can earn as high as ₱5 a day (\$2.50, gold), and that, notwithstanding this large wage, people in other provinces

have, up to the present time, not been known to go to those districts to work.

Risks.—Many and varied are the risks in this class of cultivation that can not be foreseen, much less controlled, such as fires, floods, droughts, and locusts; from this last calamity the province has suffered for three consecutive years.

Production.—Owing to the imperfections of our machinery and system, it is estimated that there is a loss of from 20 to 30 per cent more than in other countries using modern machinery. Aside from this loss in the quantity produced, there is a loss in quality on account of the imperfection of our product.

No favorable change can be expected in this particular for many years on account of the reasons above stated, to wit, lack of capital, cattle, and labor.

Transportation.—The means of transportation existing at present—and we suppose that conditions are alike in this respect in the other provinces of the Archipelago—can only be used during four or five months of the year—that is to say, during the dry season. For this reason the cost of transportation in some places amounts to 30 per cent of the value of the articles transported.

Internal revenue.—The imposition of this tax has made the situation of the sugar planters in our province still worse, resulting in a loss to us of from 25 to 30 per cent of our product, as prior to its enactment we sold our molasses to alcohol distillers at from ₱1 to ₱1.60 a 4-gallon can, while now we get only ₱0.20 to ₱0.30 for the same amount.

Reduction in the total production.—A great reduction has been noted in the area planted, owing undoubtedly to the causes above mentioned, as in the provinces like the two Ilocos, La Laguna, Batangas, and others, formerly producers on a large scale, planters have substituted maguey, hemp, cocoanuts, etc., which give better results.

When the provinces mentioned were large sugar producers the total yield for the Islands reached 300,000 tons, which figure has been steadily decreasing, production having fallen off to its present miserable condition.

Markets.—The largest and most natural markets for Philippine sugar at present are the countries of China and Japan, now the largest consumers of our product, and owing to this favorable

condition Chinese buyers, having no competitors, obtain our sugar at their own prices and therefore are able to impose their own terms.

According to approximate figures from the Philippine Bureau of Agriculture the total area of the Archipelago is 73,000,000 acres, of which 50,000,000 acres are forest and mountain lands, and of the 23,000,000 remaining only 3,200,000 are cultivated to all crops as follows: Sugar, 180,000; rice, 1,600,000; tobacco, 80,000; sweet potatoes, 60,000; plantains, 85,000; hemp, 550,000; cocoanuts, 375,000; corn, 267,000.

It is seen from the above figures that 180,000 acres being cultivated to sugar and 2,200 pounds being the average yield per acre, we have a total production for the entire country of 180,000 tons of sugar. Admitting that after many years the production shall have doubled—which appears improbable—it would have reached only 360,000. Now, if we deduct 80,000 tons, which is approximately the amount consumed in the Islands, but 280,000 tons would remain for exportation.

According to the statistics the amount of sugar imported into the United States for home consumption is nearly 2,000,000 tons; admitting that the Archipelago should produce the 280,000 tons mentioned, there would still remain a shortage of some 1,700,000 tons, and we can not understand how our production, if permitted free entry into the United States, could harm the interests of sugar producers in the sovereign country.

In asking for the abolishment of the duty on our sugar imported into the United States we do so principally for the purpose of securing better prices from our present consumers, the Chinese and Japanese, inasmuch as, by having another market for our sugar, they could not impose their prices on us.

If present prices continue it is not too much to predict the total ruin of the industry at a not far distant date, as is proven by the following figures:

Cost of production of 2,000 pilones of 150 pounds each—that is to say, of 136 tons.

272 acres, at ₱58.179 per acre.....	₱15,824.68
Machinery, warehouse, buildings, etc.....	7,000.00
80 work carabaos, at ₱160.....	12,800.00
40 native plows, at ₱6.....	240.00
10 carts, at ₱60.....	600.00
 Total	 36,464.68

Annual expences.

1 plantation overseer-----	₱1, 200. 00
Wages of hands-----	2, 000. 00
Mortality of cattle, 20 per cent of ₱12,800-----	2, 560. 00
Land tax-----	131. 25
Wear and tear of plows, 50 per cent-----	120. 00
Wear and tear of machinery, etc., 15 per cent-----	1, 050. 00
Wear and tear of carts, 25 per cent-----	150. 00
Cost of manufacture, at ₱1.51-----	3, 020. 00
Hauling to warehouse, at ₱0.30-----	600. 00
Interest on capital, ₱36,464.68, at 10 per cent-----	3, 646. 47
Total -----	14, 477. 72

An average of ₱7.24 cost per pilon, or ₱106.45 per ton.

The average prices during many years have been between ₱3.50 and ₱5 a pilon, which proves the assertion made in the foregoing paragraph.

If the plantations that are still being worked have been able to keep up it is because the owners have not suffered the total loss of their animals. Those that have had the misfortune to lose them have been compelled to suspend all work on their lands, as has happened in the plantations of La Laguna, Ilocos, Batangas, Bataan, and other places.

From the above the deplorable condition of agriculture in these Islands can be understood. For this reason we ask that the duties on our product imported into the United States be abolished, as we hope to be able by this measure somewhat to improve our present condition, and with this petition we also ask for legislation that will protect us from absorption by large capitalists and syndicates which may be established in this country.

Senator DUBOIS. Is it proper to ask questions now?

The CHAIRMAN. I would suggest that questions be asked of each speaker while he is on the floor, just before the next speaker begins.

Senator DUBOIS. I notice that this gentleman refers to the difficulty of securing labor, and I presume that other speakers will also mention that as one of the causes of agricultural depression. Now, the last speaker does not think that under any conditions will the production of sugar be very largely increased. I would like for one of these gentlemen to suggest how they are going to remedy the securing of labor to carry on agricultural pursuits.

Commissioner LUZURIAGA. I think, with regard to improvement upon the labor question, we can go on using the same methods that

we have up to the present time, and get on without the importation of foreign labor. We can continue with the means at hand and import from one province to another the labor necessary for the cultivation of the cane. The important question to us is the question of price the market pays for our product, and we need a new market for our product which will regulate the price which we receive here from the Chinese. We believe that the reduction of the Dingley tariff will accomplish this.

Senator DUBOIS. I understand; but if the present primitive methods are done away with and modern methods of reducing sugar from the cane are adopted, and if the production of sugar were greatly increased, then what would you do for labor?

Commissioner LUZURIAGA. But we can not expect, nor do we look for, a large increase in production in the Islands. We consider if there is any increase at all it will be a very slow and gradual one, and we know that it is impossible for the fears that some people have entertained in regard to an enormous production of sugar in these Islands ever to be realized, in view of the fact that we have a law in force here which prevents the acquisition of large areas of land for cultivation upon a large scale, and it would be impossible for us to expect to greatly increase our production.

Senator DUBOIS. I did not get a definite answer. However, we will pass that point and I will ask if the speaker hopes for the investment of much American capital in sugar production in this country; whether American capitalists will invest largely in the industry?

Commissioner LUZURIAGA. We would wish and hope for American capital, but we do not think it will come under the present circumstances and conditions.

Senator DUBOIS. Suppose we give you free trade in sugar and American capital does come and engage in the production of sugar, using the methods which are used in the Hawaiian Islands, then what would you do for labor—where would you get it?

Commissioner LUZURIAGA. We would have great difficulty in finding the necessary labor.

Senator DUBOIS. The American capitalist who needs workmen will find them; the question is where will he get them? Will he bring in the Chinese?

Commissioner LUZURIAGA. But in order to do that it would be necessary to change existing legislation; it would be necessary to

let down the bars and let in Chinese labor, and that would depend on the action of Congress in the matter.

Senator DUBOIS. Then, as I understand the gentleman, American capital will not come in, because it will not be able to get labor?

Commissioner LUZURIAGA. That is the way I look at it; that is the way I have always understood it. It has been my opinion that the careful American business man will always look into conditions carefully before investing his money.

Senator DUBOIS. But if he did come in he would have to look elsewhere for labor?

The CHAIRMAN. Just a minute. From the question of the Senator and the point that he is pressing, as I understand it, he is trying to have the gentleman admit that Filipino labor is not the class of labor to do this work, and that it can not be depended upon. Now, does the gentleman want to admit that?

Senator DUBOIS. They have admitted that already; they have explained that.

Commissioner LUZURIAGA. If the purpose is to increase production rapidly—say, from 100,000 tons, its present figure, to 1,000,000 tons—it would be necessary to import labor, as it would be necessary to import all the other elements, capital, machinery, etc.; but of course the admission of foreign labor into the Philippine Islands meets the bar of present legislation, which prohibits the importation of the labor which would be necessary for that rapid development.

Secretary TAFT. Will the interpreter please ask Mr. Luzuriaga if he is himself a sugar planter?

Commissioner LUZURIAGA. Yes; I have been an agriculturist and sugar planter all my life.

Secretary TAFT. Will you ask him whether in order to supply all the labor needed upon his plantation and others in Occidental Negros, where his plantations are located, it has been necessary to import labor from other provinces?

Commissioner LUZURIAGA. Not for my own estate. I have been able to work my estate with the people I have upon it, but I know of a great many other plantations which have been obliged to import labor from the neighboring Island of Panay.

Secretary TAFT. Is there every season of cane cutting a general importation of labor from Panay, Cebu, Bohol, and other provinces where they do not grow sugar?

Commissioner LUZURIAGA. Yes, sir; during the time of the grinding of the cane people come from Bohol, Cebu, and Panay for the purpose of working upon the plantations.

Secretary TAFT. Then they return to their homes?

Commissioner LUZURIAGA. As a general rule, yes, after the grinding is completed—that is, the majority; there may be a few laborers who remain in the Island of Negros.

Senator FOSTER. Will you please ask the speaker how often it is necessary to replant the cane?

Commissioner LUZURIAGA. We have to do so every year; our lands are not as rich as those in the Island of Cuba, and therefore we are obliged to plant yearly.

Senator FOSTER. Ask him if the cane is not ratooned for one, two, or three years.

Commissioner LUZURIAGA. It is very rare in the Island of Negros to get a ratoon crop. I know of one or two exceptions where they have been able to do so, but they have found great difficulty in trying to get a third crop, and it does not pay for the labor necessary to gather it. The lands upon which this can be done, furthermore, are considered very valuable and are very high priced and very rare.

Senator FOSTER. What proportion of the crop does it require to replant?

Commissioner LUZURIAGA. About 80 per cent has to be replanted every year.

Senator FOSTER. But what proportion of the original crop is required to replant the same acreage from which it came?

Commissioner LUZURIAGA. The practice in the Philippine Islands with respect to replanting is to cut off the last section of the cane, the tops, which are placed in germinating beds and then replanted; that is the practice here; they take the topmost part of the stalks and plant them.

Senator FOSTER. How many pounds of cane can you get from your new land?

Commissioner LUZURIAGA. The average is 1 ton of sugar per acre. There are exceptions; sometimes newly cultivated land—fresh land—will produce more, but the general average is 1 ton of sugar per acre.

Senator FOSTER. How many tons of cane per acre?

Commissioner LUZURIAGA. It is not the practice here to weigh the cane; I can not answer that question. Agriculture in these

Islands has not reached that point of perfection; I do not know of any farmer who weighs his cane. This fact will forcibly demonstrate to the gentlemen of the delegation the backward state of agriculture and this industry as conducted in the Philippine Islands.

Senator FOSTER. Is it necessary to use fertilizers or irrigation on the land?

Commissioner LUZURIAGA. No, sir; neither one nor the other.

Secretary TAFT. Senator, will you ask him if that is true in all the provinces?

Senator FOSTER. Yes, sir. Does that apply everywhere?

(Señor Leon Miguel Heras, a planter from the Province of Pampanga, here arose.)

Señor HERAS. I would like to say in explanation of the statement of Commissioner Luzuriaga that it is not necessary to use fertilizers here; that the reason fertilizers have never been used here is because the people have not been educated up to the use of them. It is not because fertilizers are not required; it simply has never been the practice to use them.

Secretary TAFT. How about irrigation?

Commissioner LUZURIAGA. Irrigation has never been used as yet in the sugar lands, though it is used upon the rice lands sometimes.

Secretary TAFT. But he does not mean to say that they do not use irrigation in Cavite—for instance, on sugar land?

Commissioner LUZURIAGA. Not in the cultivation of sugar; with rice, yes.

Secretary TAFT. Don't they use irrigation in the cultivation of sugar in Pampanga?

Señor HERAS. No, sir; but in Iloilo they do.

Senator FOSTER. What is the average price paid per day for labor by sugar men?

Commissioner LUZURIAGA. Field hands are paid from 40 to 50 centavos per day—that is, 20 to 25 cents, American money—but the laborers used in the mills get nearly double that; besides they are all provided with their food by the planters.

Senator FOSTER. You say that is 25 cents a day, gold?

Commissioner LUZURIAGA. Yes, sir; the field hands get 25 cents, gold, a day and their food.

Senator FOSTER. About what is the cost per day of feeding them?

Señor HERAS. In my Province of Pampanga it costs from 20 to 25 centavos per day for the food; the food provided is very inferior in quality and quantity. It is not food for an American or European laborer, nor could an American subsist upon it at all.

Senator FOSTER. How many acres of land can one man cultivate per year?

Commissioner LUZURIAGA. One man can cultivate per year $2\frac{1}{2}$ acres.

Senator FOSTER. You mean cultivate and harvest?

Commissioner LUZURIAGA. No, sir; the work of harvesting is separate from that estimate, and, besides, the man cultivating $2\frac{1}{2}$ acres must have the assistance of a plow and carabao; and in some cases it is necessary for him to have two carabaos in a year to do that work.

Senator FOSTER. One man and two carabaos will cultivate $2\frac{1}{2}$ acres of cane per year?

Commissioner LUZURIAGA. Yes, sir; and in some cases he can do it with one carabao.

Commissioner WORCESTER. Can he also prepare the land for planting and plant it?

Commissioner LUZURIAGA. Yes, sir; that is one man's work; that is equivalent to 1 hectare of land; but what that man can not do is the work of harvesting; this does not include that nor does it count any of the work of cutting the cane and hauling it to the mill; it is simply the work of cultivation; that is all.

Senator FOSTER. What are your sugar-making months—the period in which the cane is manufactured?

Commissioner LUZURIAGA. From December to March or April.

Senator FOSTER. When do you plant the cane?

Commissioner LUZURIAGA. The same months are the months for planting for the reason that it is our custom to use the top of each stalk for replanting.

Senator FOSTER. Do you know the largest sugar-producing plantation in the Islands; and if so, what is the productive capacity of sugar per day?

Commissioner LUZURIAGA. Yes, sir; the largest sugar mill in the Islands is located at Talisay, in the Island of Negros, and is owned by Señor Jocson. This mill will produce, under the above conditions, 300 piculs per day—a picul is $137\frac{1}{2}$ pounds.

(Mr. Welborn, Chief of the Philippine Bureau of Agriculture, here arose.)

Mr. WELBORN. Three hundred piculs are equivalent to about 20 short tons, English measure.

Senator FOSTER. That is about 40,000 pounds?

Mr. WELBORN. Yes, sir.

Senator FOSTER. How many men are employed in the field and around the sugarhouse, skilled and unskilled labor, in producing that amount of sugar per day, in such a sugarhouse as that the speaker mentions?

Commissioner LUZURIAGA. Conditions vary so much in different sections that it is difficult to state the exact number of men required to produce that amount of sugar. It depends upon the fertility of the soil, the location of the land, etc., but there are gentlemen here who have estimates of the actual cost of production under different conditions, and they may furnish the information required. I have the figures here of one sugar estate in the town of Talisay, in the Island of Negros, which I will read if you desire.

The CHAIRMAN. I presume the gentlemen would be glad to hear it.

Commissioner LUZURIAGA. The different conditions under which the sugar crop is raised must be taken into consideration. Planters sometimes administer their own estates, and in that case the number of laborers employed is greater than when it is let out by contract; sometimes contracts are given for the cultivation of certain parts of their land to different men, for a fixed price; then the number of laborers employed is less.

Senator PATTERSON. I would like to ask the gentleman whose paper was last read some questions as to the facts stated in his paper. In enumerating the expenses incurred by the planter he spoke of the internal-revenue charge which had reduced something 25 or 30 per cent. What did he mean?

Señor HERAS. In the process of sugar making in the Province of Pampanga sugar is made into what is called "pilones," and from that process molasses is formed. Now, molasses was formerly sold, before the enactment of the internal-revenue law, to the alcohol distillers, who paid on an average of ₱1 to ₱1.60 for each 4-gallon can; while at present the planter can only get for this molasses product 20 or 30 centavos—that is to say, 10 or 15 cents, gold.

Alcohol, prior to the enactment of the internal-revenue law, did not have to pay the internal-revenue tax which it now pays; the distillers have reduced the price which they pay for their raw material.

Senator PATTISON. How much is the price received by the planter for his sugar reduced by this internal-revenue tax?

Señor HERAS. As the internal-revenue law has only been in operation for about a year, it is not possible for us to make a correct estimate of our loss, and in order to do so it would be necessary to have conditions normal. Now, this year conditions have been abnormal as to the price paid in the market for Philippines sugar, owing to the reduction of the beet-sugar crop in Europe.

Senator PATTISON. Does he not estimate the loss to the planters at from 25 to 30 per cent by reason of the internal-revenue tax?

Señor HERAS. The imposition of this tax has made the sugar planters in my province lose from 25 to 30 per cent of their product. As heretofore explained, they got from ₱1 to ₱1.60 for a 4-gallon can of molasses, before the enactment of the law, while now only 20 to 30 centavos are obtained for the same amount.

Representative CURTIS. He does not intend that statement for his entire sugar crop; it was meant to apply only to molasses?

Señor HERAS. I wish to explain what I meant by saying that prior to the enactment of the internal-revenue law the price of sugar per "pilon" was from ₱ $3\frac{1}{2}$ to ₱5, and that in addition to that they got an income from the molasses, their by-product, of ₱1 to ₱1.60, for each 4 gallons, as previously explained; but that now, by the operation of the internal-revenue law, the price obtained for the by-product is greatly less—in fact, amounts to no more than 20 or 30 centavos—and so I make the statement that the loss on the total product has been practically 25 to 30 per cent.

Senator PATTISON. Do I understand that the best market for Philippine sugar is China and Japan?

Señor HERAS. I do not say the best, but the largest market that we have at present; in fact, it is about the only one we have at present.

Senator PATTISON. Are the Philippine planters compelled practically to sell at prices offered by the Chinese and Japanese buyers?

Señor HERAS. Yes, sir; for the simple reason that we have no other buyers.

Senator PATTISON. If the duty should be removed or reduced upon the introduction of this sugar into the United States, it is

your opinion that China and Japan would still continue to be the best market and that the planter could compel the Chinese and Japanese to pay a higher price—is that correct?

Señor HERAS. Yes, sir; that is very easy to understand. If we can place our sugar in the United States without the payment of customs duties, especially being able to place it at, say, ₱5 per picul in the United States, the Chinese purchaser who now pays ₱4 would be compelled to meet the price in the United States and would buy himself at ₱5.

Secretary TAFT. Senator, may I ask the speaker this question along that line? How is the price fixed that the Chinese merchant pays?

Señor HERAS. In answering that question it is necessary for me to tell the truth and all the truth. If the Chinese buyer finds that the planter is in water up to his neck, he fixes the price fairly high; however, he finds that the poor planter is in water up to his eyes, then he fixes it much lower; in other words, the planter is entirely at his mercy.

Secretary TAFT. Where is the price fixed for the Philippine Islands? It is at Iloilo?

Señor HERAS. No, sir; in Hongkong.

Secretary TAFT. Is not the price fixed in accordance with the price in Hamburg or in the New York markets, with the freight added?

Señor HERAS. Not now that the production is so small that we only export it to China; we do not export to Europe.

Senator PATTERSON. How much does the planter himself realize for his sugar?

Señor HERAS. You mean the price?

Senator PATTERSON. Yes; how much does the planter himself get for his sugar? How much per ton?

Señor HERAS. That depends upon circumstances; if the sugar planter is in a tight place he will get less for his sugar.

Senator PATTERSON. Yes; I know, but is there not a reasonably fixed price that the planter himself gets? I do not mean after the sugar passes into the hands of a second party. How much is it that goes to the planter for his production of the sugar?

Commissioner LUZURIAGA. The price that the planter gets depends upon the world market price for the sugar fixed in London and New York.

Senator PATTISON. How much was paid locally for the last sugar crop to the planter?

Commissioner LUZURIAGA. The price that was paid this year was an exceptionally high one, such as we do not get once in twenty years. Sugar was worth in the Iloilo market up as high as ₱7 a picul.

Senator PATTISON. That is $137\frac{1}{2}$ pounds, it is not?

Mr. WELBORN. A picul is equivalent to $137\frac{1}{2}$ Spanish pounds, which amounts to about 140 American or English pounds.

Senator PATTISON. That is, the planter received for his sugar last year in the neighborhood of 3 cents, gold, per pound?

Representative CURTIS. No, sir; it is not that much; that makes about $2\frac{1}{2}$ cents.

Senator PATTISON. Well, $2\frac{1}{2}$ cents—that is what the planter received?

Secretary TAFT. With the permission of Senator Patterson, I would suggest that we adjourn now until to-morrow morning at 9 o'clock, when we will continue the hearing.

The CHAIRMAN. The motion is made that we adjourn now until to-morrow morning at 9 o'clock. If there is no objection, the meeting will stand adjourned until that hour.

(Thereupon the committee adjourned until 9 o'clock a. m. to-morrow, August 8, 1905.)

MANILA, *August 8, 1905.*

The committee met at 9 o'clock a. m., with Senator Scott, of West Virginia, in the chair.

The CHAIRMAN. I suppose we shall proceed with the discussion upon the sugar question where we left off last night.

Representative DE ARMOND. Would it not be a good idea to hear these papers uninterruptedly, and then have such examination at the conclusion as might be desired? It seems to me it would save a great deal of time and give an opportunity for those gentlemen who desired, to be heard, without interrupting the thread of their argument.

The CHAIRMAN. I think that was suggested yesterday, and agreed upon as the course to be followed.

Senator LONG. I understand, Mr. Chairman, that Mr. De Armond's suggestion is that we refrain from questioning these gentlemen until after all the papers are read.

Senator NEWLANDS. The understanding yesterday, as I got it, was that we should pursue the questioning after each paper was read.

The CHAIRMAN. While it was fresh in the minds of the delegation.

Senator NEWLANDS. Yes.

The CHAIRMAN. If that will be agreeable—that after a paper is read to have the questions asked while the contents are fresh in the minds of the committee—we will so proceed.

Representative DE ARMOND. I have no particular choice about it, but it seems to me that we are here for the purpose of hearing what these people have to say, and then, after that, discussing the remarks. The questions hardly run into the nature of a discussion, however. They run into argument with the gentleman who is reading the paper, and it seems to me that we have not the time for conducting arguments of that kind. I think the best course is to hear these gentlemen upon a subject, and then have the members of the delegation ask such questions as thought proper. We have but a few days to hear all those who desire to be heard, and if we go into the business of questioning everybody, I think we will go away without hearing a tenth or a twentieth part of what we ought to have heard.

The CHAIRMAN. Now I will ask the committee whether it is their wish to have the papers read in English, or whether they will be read in Spanish and then interpreted.

Several GENTLEMEN. Read them in English.

The CHAIRMAN. That appears to be the sense of the delegation. The papers will be read in English only.

Senator NEWLANDS. In order to get some understanding along this line, I would like to know how many papers are to be read upon the different subjects; how many upon hemp, tobacco, and sugar?

A GENTLEMAN (in the audience). We are not discussing hemp.

Commissioner LUZURIAGA. We know nothing about tobacco; we are all sugar men.

Senator NEWLANDS. Are there any more papers to be read?

Commissioner LUZURIAGA. There is only one paper which has not been translated into Spanish, but Mr. Welborn, the Chief of the Philippine Bureau of Agriculture, would desire to submit a paper in English.

The CHAIRMAN. Well, proceed with the Spanish paper.

Secretary TAFT. Mr. Chairman, in regard to the question of hemp in the discussion which was had in Washington, the cultivation of hemp and the amount likely to be cultivated in these Islands became a somewhat important question in regard to the land to be devoted to sugar and tobacco, and it seems to me that a general discussion of the hemp industry, which now produces 65 per cent of the products of the Islands, might reflect somewhat upon the discussion of tobacco and sugar. I do not think it is necessary to go deeply into the matter, but just to give to the visiting delegation some information which, I found in discussing with individuals, is not generally understood.

The CHAIRMAN. That can be taken up another day.

Secretary TAFT. Yes, sir. I think perhaps Mr. Welborn can furnish the committee with all that is desired on both hemp and cocoanuts. I think that these questions are so related with the questions under discussion that the committee would desire to hear something about them.

Representative SCOTT. I should like to ask Secretary Taft if the gentlemen representing the tobacco industries have been requested to appear this morning.

Secretary TAFT. I understand that an agreement has been made for them to be present at the hearing.

The CHAIRMAN. The interpreter will please read the next paper.

Señor ESTEBAN DE LA RAMA. I would like to testify before the committee upon the questions discussed by Commissioner Luzuriaga yesterday, in order to throw more light upon those points.

The CHAIRMAN. I think we had better have the paper first, and then give him an opportunity to be heard.

Señor DE LA RAMA. I should like to make an oral statement in regard to the cultivation of sugar, and the general condition of sugar in the Islands, as an additional and explanatory statement to that made yesterday.

The CHAIRMAN. Well, I have already decided that you can make that statement after the other paper is read.

Señor DE LA RAMA. Very well, sir.

The interpreter then read the following paper submitted by Francisco Liongson, a sugar planter of Bacolor, in the Province of Pampanga, Island of Luzon:

Mr. Chairman and honorable gentlemen of the Congressional joint committee, after greeting you and bidding you a cordial

welcome, I beg to inform you that my aspirations are the same as those of my fellow agriculturists who have preceded me on the floor, and that the arguments which I have to offer in support of the petition for the removal of the Dingley tariff duty from our sugar are nearly the same as theirs. In repeating them, I am impelled by my duty to strengthen the arguments already adduced and to add some other requests, to the end that if we obtain from your generosity and rectitude the desired removal of the aforesaid tariff, this great benefit will not be illusory.

The purpose of the Dingley tariff is very evidently to protect American sugar against any possible competition from the imported article, and it is my opinion that this fear is groundless for the following reasons:

(1) The free entry of sugar in the sovereign country can not even remotely prejudice the American sugar, because, according to statistical data, America consumes three times the amount it produces.

(2) Considering that, according to statistics, America consumes 3,000,000 tons, and that its production only reaches 1,000,000 tons, and comparing this production with that of the Philippines, which, under normal conditions, when there are neither locusts nor epidemics among the cattle nor fires, reaches a maximum of only 300,000 tons, and considering, further, that all this sugar will not go to the sovereign country, for the reason that a large quantity of it, estimated at 80,000 tons, is consumed here, while a portion of it goes to China and Japan—I ask you, gentlemen, whether, in view of these figures, the amount of the Philippine sugar which will be exported to the United States and for which we ask free entry does not appear insignificant, and whether American sugar need fear competition of Philippine sugar, and, moreover, whether the latter can cause the least detriment to the former?

(3) By the free entry of our sugar into the United States we would be furnished another market—a protective market—by which means we would prevent our product from being subject to the squeezing monopoly of the Chinaman, our only buyer so far. The only markets we now have—China and Japan—do not in the least alleviate the precarious condition of our agriculture; it is the want of other competitive markets that has made our present buyers the absolute arbiters of the price of our product. Aside from this, Philippine sugar in these markets is subject to a thousand fluctuations and calamities, owing to the adulterations and mixtures made by the Chinaman, and for this reason never brings a high price.

(4) The primitive methods and deficient machines used in the manufacture of our sugar, in addition to the high wages paid and the high prices of the materials used in its manufacture, make its production very expensive. If we add the expenses of transportation and insurance incurred in shipment to America we believe that we can never sell at a price lower than the cost of sugar grown and manufactured in the United States. As a further ground for our petition it must be taken into account that you possess many modern and cheap machines, manufactured in America, by the aid of which you can dispense with many laborers and save a great deal in wages.

(5) and last. If the Philippine Islands are considered American territory, or a dependency, nothing is more just and logical than that they should participate, especially in view of their present state of economic depression, in the protective legislation of the great, rich sovereign country. I therefore petition the Senators and Congressmen to make this protective legislation extensive to the Philippine sugar, for which the people will be eternally grateful to you.

The petitions I wish to add to those of my companions are as follows:

The admission into the Philippines, free of customs duties, of all agricultural machinery and implements, wherever they may come from, even if for only ten years, in order that they may be within reach of all and that they may supply the lack of laborers and work cattle.

Material assistance from the Government so that the establishment of an agricultural mortgage bank may be an accomplished fact as soon as possible, as lack of capital makes it impossible to work and operate many large tracts of land suitable for sugar culture, and because the impoverished condition of agriculture is as much a calamity as any other, and one, perhaps, whose results are worse, and, further, because there is no Philippine capital to attend to this need.

In order that the benefit which the removal of the Dingley tariff will bring to Philippine sugar may not be of an illusory character, as I have previously remarked, no obstacles be thrown in the way of our commerce by the laws governing navigation between the Philippines and America. The Frye bill makes one foresee a future monopoly, or may at least give rise to obstacles which could destroy the effects of the removal of the Dingley tariff.

The land tax imposed upon land dedicated to the cultivation

of sugar is lacking in equity, for the reason that not all the land is cultivated every year, but only half of it; the other half does not produce on account of its being allowed to rest. It is impossible to plant sugar cane on the same land every year. It is therefore only just that but one-half of the tax now paid should be paid.

Lastly, I ask that the Internal Revenue Act be amended with regard to the manufacture of alcohol, as the closing down of many distilleries has injured the farmers of Pampanga, who have lost 25 per cent of their production. The molasses obtained from the sugar in following the method of packing in use, and the sap of the nipa palm, both raw materials in the manufacture of alcohol, can not be realized upon because of the lack of demand therefor. We must consider further that the low-grade alcohol commonly called "anisado" in this country constitutes a great help if not the second article of food of the native laborer, who, however, never becomes a drunkard. In view of the high price of this drink, caused by the aforesaid act, the majority of the laborers and agriculturists have found it necessary to give up the use of this article, and the consequence has been a notable decrease in the amount of work and activity. We may conclude that the Internal Revenue Law has also redounded to the detriment of the agriculturist, because the work done in one day by a laborer having the drink referred to, and without it, is as six is to five, a decrease worthy of being taken into consideration.

Representative COCHRAN. Mr. Chairman, may I ask the gentleman for a little further information upon the question of agricultural banks? What does he mean by that? What are the conditions which he seeks to cure, and what are the operations of such banks meant to be?

Señor LIONGSON. The purpose which I seek to accomplish by this agricultural bank is to establish a means for facilitating money to planters, that they may be able to conduct their farming operations. This would be done by mortgaging their lands, in order that they might get advances of money from this bank.

Representative COCHRAN. Does the gentleman mean mortgages for any length of time, or advances or loans for planting a crop? Does he simply mean that, or that the loans are for the purchase of machinery and the construction of permanent improvements, etc.?

Señor LIONGSON. I would have it either way; either that the bank should advance money upon a mortgage upon the land or

machinery, or that it should advance money upon the personal note of the planter, to facilitate the planting of his crops.

Senator LONG. Does he mean that this bank should be conducted by the Philippine Government?

Señor Lióngson. I know that the Government is not permitted to engage in private business or invest funds in its hands in private enterprises; but I believe, nevertheless, in view of the present sad condition of agriculture in the Philippine Islands, the Government might very well extend its protection and aid to a bank of this nature, in order to afford some relief to planters.

The CHAIRMAN. We will now hear the gentleman who desired to be heard orally.

**STATEMENT OF SENOR ESTEBAN DE LA RAMA, SUGAR PLANTER
AND MERCHANT, OF ILOILO AND OCCIDENTAL NEGROS.**

Señor DE LA RAMA. Mr. Chairman and gentlemen, before I start I wish to remark that I am entirely wanting in any oratorical powers, and I shall limit my remarks to a few facts.

The CHAIRMAN. Briefly and to the point.

Señor DE LA RAMA. I would not have taken the floor to address this committee of learned gentlemen who have come to our Islands to gain information upon the ground in respect to the economical and agricultural conditions did I not know that it was their earnest desire to learn the truth and nothing but the truth about conditions here; and it is with this understanding that I have consented to speak to-day.

Aside from the lack of experience which we farmers have in speaking publicly, we have always left the representation of our wants and needs to the politician who represents us and upon whom we have depended to do this work; but now, after having suffered the consequences of war, rinderpest, and other calamities that have borne so heavily upon agriculture, we can do no less than to come forward in our own defense.

It is our purpose now to state before the gentlemen who have come to the Philippines that we hope, and we look upon the Government of the United States as the only recourse we have to lift us from our sad and deplorable situation. If this last recourse proves a failure to us, we can not expect but to perish. But to doubt the generosity of the people of the United States, and the success of our desires in this matter, would be to doubt a great people, who have proclaimed to the entire world that they

are the friends and protectors of the Filipino people. Now it is our purpose to explain to the representatives of the sovereign nation the grounds upon which we base our petition for the abolition of the Dingley tariff upon Philippine products, and to prove to them that the abolition of this tariff can in no manner work any harm whatever to American producers of sugar, as some people think it would.

At the beginning of the American administration of the Philippine Islands there were very few people who paid any attention to the matter of the reduction or abolition of the Dingley tariff as applied to Philippine products. Everyone at that time had their eyes turned toward the matters of independence, annexation, or colonization. The great desire of the Filipino people at that time was a proper form of government at any cost. Later the great aspiration of the people was that the government should be more economical in its administration; and such was the neglect of the Filipino people in regard to industry, commerce, and other material interests that practically no attention was paid to this subject under discussion. I would like to recall, however, that at a meeting which was held in the pueblo of Silay, in Occidental Negros, I was asked by a prominent American who was present and who was then traveling through the country, what means, in my opinion, were necessary to assure the future greatness and prosperity of the Filipino people, and I answered him that in my opinion the only measure that could be taken to secure this end was the abolition of customs duties upon Philippine products imported into the United States, and that all the efforts of the Government and the people to secure the prosperity of the country would be absolutely of no avail if they were not stimulated by the abolition of this tariff. Up to this time I do not know what opinion this gentleman formed in regard to my statement. It may perhaps be true that he took me to be a visionary man, but facts and the lapse of time have demonstrated that I was right in my opinion, and that the situation has reached that extreme that the clamoring of the people is general, and that in all discussions, political and otherwise, the question of the abolition of the Dingley tariff is the most important one. All of the Americans in the Islands here agree with me that the maintenance of a tariff against Philippine products imported into the United States is the greatest injustice that can be done to the Filipino people.

Our export of sugar, that reached 260,000 tons in the year 1893, was reduced to 92,000 tons in the year 1899, at the beginning of the war in these Islands; and it continued to decline until in the year 1900 it had reached the low figure of 60,000 tons. In the following year it dropped still lower, going down to 56,000 tons. With the reëstablishment of peace in the year 1902 our production of sugar began to look up, and we had an increase which gave us a total export of 92,000 tons. Unfortunately, however, just as the industry was beginning to improve, and we looked forward to better times, we had a series of misfortunes and calamities in the way of cholera, rinderpest, locust plagues, and other like evils which made it impossible for conditions to improve. These calamities took all our money and exhausted our funds, especially as we had to replace the cattle lost from the rinderpest, the prices of which animals had quadrupled. So, with the spread of rinderpest among the cattle and the exhaustion of our funds, our exportation of sugar decreased to 84,000 tons in 1904. It is very doubtful if we can reach that figure this year. Our situation at the present time is, therefore, a very deplorable one. Seven years of calamities, with a war and plagues, failures of crops, etc., have reduced us to a state of misery to such an extent that in many plantations of Negros and Panay the cultivation of sugar has been entirely abandoned. Owing to the low price secured by the farmer for his product during the past few years, a great many planters have been unable to meet their obligations and to-day are on the eve of losing their property. This situation has brought on the farmers the further misfortune of entirely losing their credit. They are unable to get credit any longer. It is impossible for us to hope to reëstablish our credit with the bankers and money lenders throughout the Islands unless these gentlemen become convinced that the future of this industry in these Islands is such as to secure to them the repayment of their loans. At present the situation is a very deplorable one. There are planters, both in the Island of Panay and in that of Negros, who, having the deeds of their property in their hands, apply to the money lenders and to the bankers for a loan, offering to secure the loan by mortgaging their entire property, and are unable to secure even sufficient money to attend to their most pressing personal wants.

Now, gentlemen, I should like to know if in view of these conditions we have or we have not a motive and reason to ask for the

abolition of the tariff upon our products. Will you gentlemen, who represent the United States of America, consent to have a people under the American flag continue to suffer misery, for has it not always been said that under the flag of the United States prosperity and happiness only shall rule? Gentlemen, you have only to turn your eyes in any direction whatever, and you will see that the American flag is in these Islands. Notwithstanding the fact that the national flag flies throughout this land, and that this Government is maintained by Americans, and that it is American soil, it is considered and treated as a foreign country by the legislators of the United States. You have put up barriers between us and yourselves, as if you considered that there was the same distinction between us and yourselves as there is between you and foreign countries. We are farmers; we are not politicians. We do not understand why you do this. We do not understand why we are treated thus. But we do know one thing, and that is that you consider our products the same as if they came from China, Japan, or any other foreign country. The Congress of the United States, in enacting legislation which will compel the products of the Philippine Islands exported to the home country to be carried in vessels under the national flag, have sought to prove that American shipowners should be entitled to enjoy the benefits of being under that flag. Now, I ask, why should not we farmers, being under the same flag, enjoy the same benefits by the abolition of the duties upon our products? If the duties are not abolished, if the Dingley tariff is not reduced upon our products, what benefit can be derived from the extension of the coastwise navigation laws to the trade between this country and the United States? What trade have we to give to your shipowners? If at the present time, when we have a sharp competition among steamship companies, we are unable to send any of our products to the United States under the existing Dingley tariff, how can you expect us, when competition is done away with, to furnish any goods for the American ships to carry? Gentlemen, there is no use in denying the fact that they would get nothing. The suppression of the Dingley tariff will be a benefit to them, to the Filipinos, and to the Americans.

The reasons advanced by those who are opposed to the abolition of the Dingley tariff are, first, the low cost of the production of sugar in this country, which is estimated to be in the United States 1 cent, gold, per pound; and, second, that if the tariff is abolished

or reduced the industry in the Philippine Islands would increase so rapidly that in a few years we would invade the markets of the United States as a dangerous rival.

Now, the first of these reasons is in error, and the second is absurd and ridiculous.

From statistical data which I have, relative to the cost of production upon the estates of the Island of Negros, the lowest cost of production of Philippine sugar, without counting the items of interest upon the money invested or commissions, is 2.82 centavos, Philippine currency, per pound, and that is during normal times. Now, counting in the items of interest, commission, etc., it costs the planter in the Island of Negros to place his sugar in the Iloilo market about 3.76 centavos per pound. I wish to add that we have not included in this estimated cost of production the loss in cattle or the deterioration in machinery and mills, because I fully realize that if we should have to count upon the enormous losses in cattle experienced within the past few years we should have to give up hopes entirely of ever continuing the industry here. Let us now take the 3.76 centavos that it costs us to place our sugar in the Iloilo market, as a basis. For loading our product on board the ship at Iloilo and to pay the export duty on this article, it costs 0.24 centavo per pound, so that this makes the cost of our sugar, f. o. b., Iloilo, 4 centavos per pound. We must then add to this the amount of 0.24 centavo per pound for freight to New York, and 0.08 centavo for insurance, and 0.88 centavo for duties, and we will have upon that basis the price of our sugar, f. o. b., New York, which is 5.20 centavos or 2.60 cents, gold, per pound, f. o. b., New York. Now, this does not include commissions, interest, or deterioration on our plantations. This sugar is in the proportion of 1/8 No. 1, from 87 to 88 degrees; 2/8 No. 2, from 84 to 85 degrees; and 5/8 No. 3, from 79 to 80 degrees. Now, according to the latest quotations of centrifugal sugar in the New York market, sugar of 96 degrees is worth 4½ cents, gold, per pound.

Considering the inferior quality of our product, which makes a difference of 1 cent per pound, our sugar should sell in the New York market for 3.60 cents per pound; but I wish to state, in addition to this, that this price of 4½ cents, gold, for sugar in New York is an exceptional one. It is generally about 4 cents. Therefore, the price of Philippine sugar should be about 3 cents, gold, instead of 3½ cents. Now if we add to our price, f. o. b.

New York, of 3.60 cents per pound the items of deterioration, commission, and interest, we would have a price there for our sugar which would prohibit our sending it there. This clearly demonstrates that it would be impossible for us to hope, under present conditions, to market our sugar in New York, and this is also proven by the fact that our shipments of sugar to New York have declined considerably, so that in 1900 we sent but 2,000 tons to that market. In 1901 we sent 5,000 tons, and 2,500 tons the next year, 1902. In the year 1903 we sent 31,000 tons, and 20,000 tons in the year 1904; but I wish to add that these last two large shipments for the years 1903 and 1904 were sent there on speculation, in the hope or expectancy of the abolition of the tariff on sugar. Of course, the shipments have resulted in large losses to the shipping houses that have speculated in that manner. Last year centrifugal sugar, owing to the shortage in the beet crop, reached $5\frac{1}{2}$ cents in that market; in view of this high price, and the expectancy of still higher prices, orders were received in this market for large shipments of sugar. However, just as soon as sugar dropped to its present quotation of $4\frac{1}{2}$ cents per pound these orders were canceled, and no further orders have been received. This proves that with sugar in the New York market at $4\frac{1}{2}$ cents, it is impossible for us to send our sugar there. It is stated, furthermore, that we are going to kill the sugar industry in the United States, because we can manufacture that article here cheaper. Now, if we did not have to pay the items of insurance or interest on our shipments to New York, and if we had to pay no customs duties, and if the tariff were abolished on sugar, of course, then we might possibly compete with American sugar; but competing at such a distance from the market, and after the great expense we have to pay in order to place our product in the market of the United States, it is practically and absolutely impossible for us to compete to the extent of being able to affect the sugar industry in the United States in the slightest degree.

Even without the Dingley tariff and with the modern machinery used in the United States and not having to pay the cost of transportation, insurance, and interest that we have to pay, America can always produce sugar cheaper than we can.

Now, as regards the second reason of argument advanced for the continuance of the tariff upon Philippine sugar entering the United States, I think that I have clearly demonstrated that this is an

impossibility and that the argument is ridiculous. It has been clearly demonstrated and proven that the very largest exportation that we have had was in the year 1893, when it reached the amount of 260,000 tons. It is also known by everybody here that in those years when our production passed 200,000 tons it was necessary for us to leave a part of our crop upon the field on account of lack of labor to collect it. This used to happen to us before the war, the rinderpest, the cholera, and the many other plagues that we have had to contend with had struck us. Now it is supposed that we, laboring under all these adverse circumstances, without work cattle, without money or credit, are going to make such a large crop of sugar as to invade the largest sugar market in the world. Quite to the contrary, gentlemen; the question of the abolition of the Dingley tariff is to us a question of life and death, and it is a justice that we expect from the American people. By the abolition of the Dingley tariff you will once more demonstrate to the entire world that under the American flag none but a prosperous and happy people can live. [Applause.]

The CHAIRMAN. Does anyone desire to ask the gentleman any questions? I would like to have his name, occupation, etc., so that we can put it in the record.

Señor DE LA RAMA. Esteban de la Rama, a member of the commercial firm of Hijos de la Rama, of Iloilo and Negros, and the owner of agricultural property in the Island of Negros devoted to the growing of sugar.

Secretary TAFT. I would like to ask Mr. de la Rama if he has not made an error in his estimate in charging the export duties as a part of the cost to the exporter, in this: That in the act of Congress, known as the "rebate act," which really in form is not a rebate act, however, but amounts to that, being made so by regulation, the exporter will be able, on shipment of sugar sent directly to the United States, to secure a rebate of that export tax which he has paid.

Señor DE LA RAMA. But the greater part of the 0.24 centavo that I included as an item of the cost upon sugar at Iloilo included the items of placing the sugar on board the vessel as well as the export duty. Of course, the export duty would be a very small part of that charge.

Secretary TAFT. I agree; but in order that a statement made by the gentleman should be exact, I want to ask him if it is not true that

that part of the 0.24 centavo which is paid for export duty, will be returned as a rebate upon sugar sent directly to the United States?

Señor DE LA RAMA. I understand that this export duty is collected upon sugar for the creation of a fund for the improvement of harbors.

Secretary TAFT. Mr. Chairman, I would like to state that I think it is doubtless a fact that the sugar men have exported so little that they are not aware of the operation of that law. The sugar men know nothing practically about this law. A hemp exporter could tell us about it, if there is one here. The export duty on hemp is remitted when it is shown that the hemp has been exported directly from a Philippine port to a port in the United States. There is this to be said, however, about that: Under the regulations he has to pay and recovers it later, and the interest, during the period between the date of shipment and the return, which easily is from six to nine months, is lost to him.

Señor DE LA RAMA. I have paid such export duties on sugar shipped to Hongkong. I was not aware of the fact that there was a rebate on customs duties made on shipments to the United States.

Secretary TAFT. Of course, shipments to Hongkong would not come under the same rule.

Representative DRISCOLL. I would like to ask what price is received for sugar shipped to China and Japan?

Señor DE LA RAMA. The present price for sugar, per picul, is ₱5 $\frac{1}{2}$; this is the price that the farmers receive from the Chinese buyers. It figures out about 2 cents, gold, a pound. However, this year's price is an exceptional one, owing to the shortage in the beet-sugar crop. There has been a little bit of competition this year between the exporting houses which ship to the United States and the Chinese buyers.

Senator NEWLANDS. Mr. Chairman, I would like to have one point made clear. I understand the gentleman to say that the exporting of sugar from these Islands to the United States in 1893 amounted to over 200,000 tons. Is that a fact?

Several GENTLEMEN. No; that is the total amount exported for the Islands.

Senator NEWLANDS. I would like to ask him about how much of that was to the United States.

Señor DE LA RAMA. Some 80,000 or 90,000 tons, I believe.

Senator NEWLANDS. That was the largest export, then, in the history of the Islands, which was made to the United States?

Señor DE LA RAMA. So far as my memory serves me, that was the largest year. Perhaps, however, prior to that year there were larger shipments.

Senator NEWLANDS. I wish to ask whether prior to that time there was any duty in the United States upon sugar, and whether or not the McKinley Act was not then in operation, and whether the duties imposed by the Wilson Act one year later had the effect of checking exports from this country to the United States.

Señor DE LA RAMA. I have no knowledge of any of those laws.

Senator NEWLANDS. I would like to ask Mr. Payne when the Wilson Act went into operation.

Representative PAYNE. I think it was in July, 1894. I wish to call attention, however, to the fact that free sugar under the McKinley Act was free entry for all the world, and that this sugar went into the United States upon the same terms as foreign sugar, so that the Philippines had no advantage or preference in the market; they went in upon the same terms as any other country. I do not see how the tariff act in question has any effect upon this subject.

Senator NEWLANDS. I simply wished to know as to whether, when the Wilson Act went into effect, the exports from this country to the United States diminished.

Representative GROSVENOR. The law was passed in 1894.

Señor DE LA RAMA. All I can say is that since 1893 the exportation of sugar from the Philippines to the United States has diminished.

Senator NEWLANDS. Can you give us the exportation from 1894 to the present?

Señor DE LA RAMA. No, sir.

Representative SCOTT. Are there any sugar refineries in the Islands?

Señor DE LA RAMA. No, sir.

Representative SCOTT. Well, if there are no refineries in the Islands, where is sugar refined that is used here?

Señor DE LA RAMA. I was mistaken about that; there is a small refinery at Malabon, near Manila.

Representative SCOTT. Does it produce all the refined sugar used in the Islands?

Mr. WELBORN. No; it has not been running within the past few years.

Representative SCOTT. Is the refined sugar imported from the United States?

Mr. WELBORN. From Hongkong.

Representative SCOTT. I have understood this gentleman to say that the greater part of the sugar of these Islands is exported to Japan and China, and yet they say that there is no competition in the sale of the sugar. I would like to ask whether or not all this goes to the Chinese buyers and is distributed by them to Japan and China; if not, why is there no competition?

Señor DE LA RAMA. There are no buyers in the Islands at present except Chinese buyers. They buy all the sugar for those markets.

Representative SCOTT. The gentleman stated that the decline in the exportation of sugar began five years before the war. What cause does he give for that decline?

Señor DE LA RAMA. No. Five years from now.

Representative SCOTT. I understood him to say that in 1893 the exports were something over 200,000 tons, while now they are something less than 100,000 tons, and in 1898 were something less than that figure.

Señor DE LA RAMA. Yes; it fell off greatly on account of the war of the revolution in 1899.

Representative SCOTT. So this period from 1893 to 1899, of six years—during all that time did the exportation of sugar decline?

Señor DE LA RAMA. In the year 1893 we reached the maximum exportation for sugar. Since that time it has never reached that figure, and it reached its lowest year in 1899. The year 1893 was an abnormal year.

Representative SCOTT. The point I wished to reach is this: We can understand why the exports have decreased since the war; I was trying to find out why that decline began before the war.

Señor DE LA RAMA. I simply wish to say that in the year 1893, which was an abnormal year, we had 260,000 tons, and that maximum has never been reached since. I do not mean to say that the decline started prior to the war, however.

Representative SCOTT. What is good sugar land worth in Negros, or in these Islands?

Señor DE LA RAMA. Well, I hardly know how to answer; it is held at all prices.

Señor HERAS. From ₱30 to ₱50 per acre. In the Province of Pampanga the best sugar land is worth a good deal more. The average price in Pampanga might be placed at about ₱58.

Representative SCOTT. What is the land valued at for purposes of taxation?

Señor HERAS. The valuation placed upon these lands by the provincial boards of tax assessors depends a good deal upon the locality and circumstances of the lands and the opinion of the members of such boards.

Representative SCOTT. Can you give the average valuation in proportion to the value of the land?

Señor HERAS. The valuation placed upon the land for assessment purposes is nearly equivalent to the actual value of the land.

Representative SCOTT. Then, what is the rate of taxation?

Señor HERAS. Seven-eighths of 1 per cent upon the assessed value.

Mr. MAURICE LOWENSTEIN. I believe that Señor de la Rama made one or two errors in the estimate of the cost of sugar laid down in New York. He figured the freight from Iloilo at 0.24 centavo, whereas, as a matter of fact, the rate is \$6 for a ton of 2,240 pounds, or 27 cents, gold, per 100 pounds. Then he stated that the duty is 0.88 centavo per pound, whereas, as a matter of fact, it is about 90 cents, gold, per 100 in New York.

Representative GROSVENOR. I would like to have this gentleman who has just spoken tell us the cost of freight to the distributing points in China and Japan on sugar; nothing has been said about that.

Mr. LOWENSTEIN. That depends upon the freight market, of course. It is from 30 to 50 centavos per picul of 137½ pounds, depending upon the supply and demand of freight between here and Hongkong and Japan.

The CHAIRMAN. Give it to us in gold and in hundred pounds.

Mr. LOWENSTEIN. From 12 to 18 cents, gold, per 100 pounds as against 27 cents, gold, to New York. There is another mistake Señor de la Rama made. I do not think he included enough for waste or for insurance. The average insurance rate is 1½ per cent for freight to New York; then, too, some sugar is lost in transit, and he does not take that into account. I should say that there is a loss of about 2 per cent due to shrinkage, which adds to the cost in New York.

Representative COOPER. What would that insurance be per 100 pounds, and what would the other item amount to?

Mr. LOWENSTEIN. Based upon this cost of 2.60 centavos f. o. b. it would make a cost of 3.86 centavos landed in New York. Then he probably has not included all the landing expenses at New York, such as dockage and other charges.

Señor DE LA RAMA. I gave my price in New York, f. o. b. New York, including the duties. I admit that I left out a great many items of expense.

Representative PAYNE. I would like to learn this gentleman's business.

Mr. LOWENSTEIN. We are importers and exporters—Castle Bros., Wolf & Sons.

Senator FOSTER. Will you please ask the gentleman what the present agricultural condition of these Islands is?

Señor DE LA RAMA. I have already said that it is very deplorable.

Senator FOSTER. Does that include the rice industry, the hemp, tobacco, and other agricultural industries?

Señor DE LA RAMA. I believe so, sir, and especially with regard to the cultivation of rice, on account of the shortage of work cattle, making it difficult to cultivate the fields; and also on account of the lack of capital.

Senator FOSTER. Now the tobacco industry—how about that?

Señor DE LA RAMA. The gentlemen interested in the tobacco question will give information upon that point.

Senator FOSTER. About hemp—has there been an increase or decrease in the production of hemp?

Señor DE LA RAMA. The sugar growers have had so much to consider and worry over with regard to their own business that they have not had time to give attention to the business of others, so I can not say anything about the hemp product.

Representative COOPER. Mr. Chairman, there is one more question I should like to ask Mr. Lowenstein. Before the war, is it not a fact that due to a preferential tariff the Philippine sugar had a large market in Spain, and is it not a further fact that since the war that market has been lost to the Philippine trade?

Mr. LOWENSTEIN. Yes, sir; absolutely. After the war Philippine sugar was absolutely barred from the Spanish market. Its former market has been lost in large part, without getting a new one.

Senator FOSTER. Will the abolition of the tariff, in your judgment, upon the part of the United States Government, so far as sugar is concerned, result in an increased production and a development of that industry in these Islands?

Señor DE LA RAMA. I believe that it will result in an increase of the present production; but I also believe that in view of the lack of modern methods, modern machinery, and lack of labor, cattle, and capital, that this production will not reach a figure over 200,000 tons.

Senator FOSTER. Are not your figures based upon the present primitive system of cultivation and manufacture of sugar?

Señor DE LA RAMA. Well, even if we were to introduce modern methods of manufacture, by bringing in modern machinery, it would, in my opinion, take at least five years before we could get the plants properly established in these Islands. I believe, furthermore, that it would take fifteen years longer to be able to get all conditions so favorable as to make a crop in the Philippine Islands which would aggregate 300,000 tons; so that counting in the five years taken to construct modern machinery and the fifteen years that the industry would need to develop to the point of producing 300,000 tons, and we have twenty years as the period which would be required to reach that figure. It is estimated that the cost of machinery capable of producing 300,000 tons of sugar would be \$20,000,000, gold; this, of course, must be considered as a mere estimate, but I consider that sum to be the cost of machinery necessary to produce 300,000 tons; if we take that as a basis in the length of time required before we could reach that production which I have above cited, the markets of the United States, in the meantime, would have a shortage of double what it now is, or 4,000,000 tons, and against that the 300,000 tons produced in the Philippine Islands would be of no consequence whatever.

Senator FOSTER. Can they use mules, horses, and oxen here in the cultivation of their fields, not only in sugar but in other agricultural pursuits?

Señor DE LA RAMA. It would be very difficult to introduce that sort of work animals in our fields, for the reason that mules or horses cost a great deal of money here and the native is not used to handling them—he does not know how to manage them nor care for them. In the second place, many of the lands can not be worked at all with any cattle except the carabao, for the reason

that, as in rice, they make their plantings in the mud, and it is necessary to plow in the mud; the mule or horse can not do that, and only a carabao can be used for that work.

Commissioner WORCESTER. Now, Mr. de la Rama, excuse me for interrupting, but there is another reason why American horses and mules can not be used in the Philippine Islands. We have quite recently introduced here a number of contagious diseases, which take horses and mules off by the drove, such as surra, which occurs in an epidemic form throughout the Islands. The Government has recently been importing draft animals in the hope of relieving conditions here, and these diseases have caused great loss among the animals imported also. When one takes into account the difficulties that have to be met and the possible loss by surra, the heavy cost of bringing in new animals, and the lack of money of these people, it is practically impossible for these people to get the necessary animals to cultivate their fields.

Senator FOSTER. Just one more question—

Representative GROSVENOR. If one of these Senators will kindly yield a moment to one of the members of the House, I would like to ask a question. I would like to ask this gentleman whether he knows if there has been a steady increase in the demand for sugar during the past five or ten years in China and Japan; and if so, whether he can give us a statement upon that point.

Señor DE LA RAMA. During the past five years the demand from the countries you mention has been steady.

Representative GROSVENOR. Now, as to refineries in Japan and Hongkong, where are they located and where do they get their supply of raw sugar? How many refineries are there?

Señor DE LA RAMA. I do not know how many refineries there are in those countries; but I wish to state, by way of information, that the Philippine sugar sold in those markets is generally consumed as exported, without being refined. I have seen the retailing of sugar going on in Japan in the same condition as exported from here.

Representative CURTIS. It is not true that the Chinamen have just begun to use sugar within the last few years?

Señor DE LA RAMA. I do not know as to that.

Senator PATTERSON. How many companies or individuals grow and cultivate sugar in the Islands now?

Señor DE LA RAMA. With regard to the companies, there are not

more than one or two that I know of; I am unable to state the number of individuals engaged in the industry in the Islands, but Commissioner Luzuriaga has some information upon that point, I believe.

Commissioner LUZURIAGA. Before the war there were throughout the Islands about 3,000 sugar estates or plantations, but this number has been greatly reduced, and I should say that there is now not more than one-half that number.

Representative SCOTT. Can you state about how large the average plantation is?

Commissioner LUZURIAGA. It is rather difficult for me to say, in view of the great variety of sugar estates, as to size. The largest plantations are from 1,000 to 1,200 hectares, and there are some of from 600 to 800 and 500 hectares. They are of all sizes, and run down to as low as 30 hectares.

Representative SHERLEY. I wish to ask a question as to labor. A gentleman made the statement that the labor was much higher and that there was a marked limitation upon it. How far does he consider that condition as temporary and how far does he think the labor could be increased?

Señor DE LA RAMA. I have already said that prior to the war and prior to the time that we had to contend with these difficulties and calamities our production reached over 200,000 tons, and that when we reached that production it was necessary to leave a portion of the crop in the ground because of lack of hands to collect it.

Representative SHERLEY. Does he think that is a condition that could be changed in the future?

Señor DE LA RAMA. No, sir; I do not believe that it could be changed, and that it will not change until our population increases very materially.

Senator DUBOIS. I would like to ask a question here. The sugar planters in Hawaii are asking us to amend the laws so as to allow Chinese coolie labor to come into that country, claiming that otherwise they will be unable to work their plantations; now I would like to know whether there would be any objection by the sugar planters here if we should amend the law so that Chinese coolie laborers could come in and work on their plantations.

Señor DE LA RAMA. That is a question that I would rather not answer, for the reason that there has been a great deal of difference

of opinion among our political leaders in these Islands with respect to the advisability or inadvisability of the admission of Chinese labor. To them the theory of "the Philippines for the Filipino" appears to be a very beautiful one, but as far as material conditions for some of us are concerned it is a question whether the importation of a large number of laborers into the Islands would not improve our conditions here. It is a delicate question to deal with, however—that of the importation of Chinese into these Islands—for the simple reason that the Chinese laborer entering the Islands very soon becomes the Chinese merchant, so that instead of becoming a producer and a benefit to the country he becomes the opposite.

Representative SHERLEY. How is it that, with the people complaining that they can get no labor, they are starving? If you make a statement that you have an industry that can not find labor and that there is a limit upon the amount of labor available, I want to understand why it is that you can not get Filipinos to make your crops—why can't you get labor in the sugar fields?

Señor DE LA RAMA. The difficulty with us is not that the people will not work, but that there is not a sufficient number of people to do the work. The very primitive appliances we use here require a great many more laborers than are required in Hawaii, where they have modern machinery.

Representative SHERLEY. Does he mean that there are not enough laborers in that province, or in the entire Islands?

Señor DE LA RAMA. I believe that there is a lack of laborers throughout the Islands.

Secretary TAFT. Well, Señor de la Rama, allow me to ask one or two questions. I think you were present in 1900 when the Commission went to Negros, were you not?

Señor DE LA RAMA. No, sir; I met you at Iloilo.

Secretary TAFT. We held a meeting at Bacolod; were you not present?

Señor DE LA RAMA. No, sir; I was not present at Bacolod.

Secretary TAFT. Well, there were many sugar planters there, and they recommended that we impose a poll tax upon every laborer in the province, for the purpose of giving him a motive for working upon the plantations.

Señor DE LA RAMA. Well, it is a theory with some people that the imposition of a personal tax, like the old Spanish *prestación*

personal, like the old Spanish system, will enable more work to be gotten out of the native; however, I am not of that opinion.

Secretary TAFT. Let me ask him if this is not true, that the development of industries in these Islands, whether it be in the agricultural fields or in the factories or on the railroads that are to be constructed, depends not only upon the natural conditions in these islands but also upon the training of those who would elsewhere be laborers? We have got to train and educate them for that purpose. I do not mean in universities; I mean a training and organization for the purpose of teaching them how to work, and that the growth of any industry depends upon that kind of development here.

Señor DE LA RAMA. Yes, sir; that is true. It is for that reason that I have always advocated the establishment of manual-training schools; we need them here very badly.

Representative MCKINLEY, of California. Figures were given yesterday as to the amount of wages paid to the laborers on the plantations at the present time. What wages were paid before the revolution, or during the revolution, when the industry was in a prosperous condition as compared with now?

Señor DE LA RAMA. It is estimated that the wages paid at the present time are from two to three times as high as they were before the war.

Representative MCKINLEY, of California. Give us the number of pesos per month before the war.

Señor DE LA RAMA. For field hands we paid from ₱3 to ₱4 per month.

Representative MCKINLEY, of California. And their food?

Señor DE LA RAMA. No, sir; without food. Now we pay a little over twice as much, and feed them.

Representative MCKINLEY, of California. And the kind of labor—was that native labor, Chinese, or Japanese?

Señor DE LA RAMA. Native labor.

Representative MCKINLEY, of California. What proportion of labor do you use on the plantations now, between Chinese, Janapese and natives?

Señor DE LA RAMA. We have never used any Japanese or Chinese, or any other labor than Filipinos, upon our plantations.

Representative MCKINLEY, of California. Why were they not used—because they wanted higher wages, or why?

Señor DE LA RAMA. For the reason that such labor was not here.

Representative MCKINLEY, of California. Have you ever had Chinese labor offer to work upon the plantations?

Señor DE LA RAMA. No, sir; never.

Secretary TAFT. They have attempted to get Chinese labor to work in the fields in Borneo, and they have not succeeded in getting them into the fields.

Representative MCKINLEY, of California. Now, where do you expect to get your future labor—from the training of your own people or the bringing in of Chinese or Japanese?

Señor DE LA RAMA. We have no option in the matter; we must rely upon the native; Chinese laborers can not come into the Islands under the law.

Representative MCKINLEY, of California. Suppose you got Chinese, would you still rely upon the natives or would you employ the Chinese?

Señor DE LA RAMA. We would like to rely upon both of them; but in the long run we would have to fall back upon the native, because a Chinaman, although he comes here as laborer, soon becomes a merchant; he will not continue as a laborer.

Representative MCKINLEY, of California. Then if you got free trade with the United States for sugar, you expect to increase your acreage and you expect to train your Filipinos to labor upon the plantations—that is it?

Señor DE LA RAMA. Yes, sir.

Representative MCKINLEY, of California. That is all.

Senator NEWLANDS. There is one question that we should clear up, and that is this: In America, when the laborers are generally employed at good wages, we consider that a condition of general prosperity; now I want the gentleman to state how it is that the laborers of the Philippines are generally employed at good wages and yet there is such a condition of general depression in the industries of the Islands as he has referred to.

Señor DE LA RAMA. Well, it is true that the laborer to-day gets a great deal more than before, but his wants have increased at a much greater rate, proportionately, than his wages. They are accordingly no better off than before. For instance, meat used to be worth 10 centavos a pound, while now it is worth 50 centavos a pound. This country has become one of the most expensive countries to live in in the world.

Senator NEWLANDS. Why have the prices increased here?

Señor DE LA RAMA. The price of meat has increased to such a large extent on account of the death of cattle by the plagues.

Senator NEWLANDS. How about other things?

Señor DE LA RAMA. The decline in the price of silver also worked a great hardship upon us, for the reason that the articles we bought in this country we had to pay for in silver which had a depreciated value; this made a great difference in the prices where the foods were imported from abroad and had to be paid for in gold.

Senator NEWLANDS. Now, as to meat, is it not a fact that the average laborer in the Philippines uses very little meat?

Señor DE LA RAMA. I simply mentioned meat as an example; of course, that is not a general article of diet of the Filipino laborer; but along with meat every other suitable article of food has increased in price. The loss in the work cattle of the Philippines has resulted in such a decrease in the cultivation of rice that we have been obliged to import large quantities of this article. As a result the price of rice rose in the Islands and is much over double what it was prior to the American occupation.

Senator NEWLANDS. We will assume that the tariff on Philippine sugar is removed, and we will assume that these planters in Hawaii who are accustomed to produce sugar under almost the same conditions as to soil and climate that prevail here, form a corporation with ample capital, which corporation acquires the control of a large area of land, putting in a central sugar factory, and which corporation puts in a railroad connecting with all parts of its plantation to bring the cane into the factory, and which corporation has its own irrigation works where necessary, and uses all the advanced machinery and employs Filipino labor—now, I ask whether under these conditions the production of Philippine sugar will not exceed the 300,000 tons he has referred to as the limit within the next twenty years?

Señor DE LA RAMA. Well, in answer to that question, I would like to state that it took the Hawaiian planters fifteen years to reach a production of 200,000 or 300,000 tons. Now, I have calculated that it would take us five years to secure the necessary modern machinery in these Islands and fifteen years longer to reach the same production as Hawaii—that is, 300,000 tons. Now, I do not say that after twenty years the production would not go beyond 300,000 tons. I realize that it would go beyond that amount; but I also realize

that the shortage which amounts to 2,000,000 tons to-day in the United States would more than double in that period of time, so that when we shall have reached a production of 300,000 tons the shortage in the United States would be over 4,000,000 tons.

Senator NEWLANDS. But the witness has not answered my question. My assumption was that the Hawaiian planters should organize corporations with ample capital for the immediate development of sugar plantations in these Islands, and I asked whether under these conditions the production of 300,000 tons would not be greatly exceeded and a large increase made over that limit.

The CHAIRMAN. It is now after 12 o'clock. To what hour shall we take a recess for this afternoon?

Señor DE LA RAMA. I believe it would take fifteen years before they could reach a production of 300,000 tons, because it took Hawaii that long with the same machinery.

Senator NEWLANDS. Does he believe that the large plantations of 5,000 or 10,000 acres or more are best adapted to the economical production of sugar, or that small holdings, with individual owners, having not more than, say, 50 to 100 acres, would be best?

Señor DE LA RAMA. I have never studied that question. I do not consider myself competent to answer it.

Senator NEWLANDS. Will you ask him whether, as a matter of fact, the majority of the sugar plantations are below or above 100 acres in area?

Señor DE LA RAMA. The average sugar estate is over 100 acres.

Senator NEWLANDS. How many acres are there now planted in sugar?

Mr. WELBORN. One hundred and eighty thousand in the whole Islands in 1902, according to the census report.

Senator NEWLANDS. In 1903, how many?

Mr. WELBORN. Well, we have no figures for 1903.

Senator NEWLANDS. Will you ask him whether the acreage was not larger in 1903 than in 1902?

Señor DE LA RAMA. It was a little larger.

Commissioner LUZURIAGA. Yes, sir; it was larger.

Senator NEWLANDS. What is the average size of sugar plantations in these Islands?

Commissioner LUZURIAGA. In Pampanga the average size of the sugar plantations is from 200 to 300 acres; the size throughout the Islands varies very much; I should say that possibly 10 per cent were of 1,000 hectares or over.

The CHAIRMAN. It is proposed that we take a recess until 4 o'clock and then hear the tobacco men.

Secretary TAFT. Mr. Chairman, I only wish to say that the new street railway has offered the party a trip on its new lines over the city, starting from the Binondo Church on the north side of the Pasig River near the old Oriente Hotel, at 3.30 this afternoon.

The CHAIRMAN. Well, what is the pleasure of the delegation? Shall we take this trip or continue the hearing?

Representative GROSVENOR. I move that we adjourn until to-morrow morning at 9 o'clock.

Senator DUBOIS. I second the motion.

Commissioner WORCESTER. Before adjourning, I would like to state that the Chief of the Bureau of Agriculture has some more facts to present upon the question of sugar before the sugar question is considered as closed.

The CHAIRMAN. Well, we have given a very full investigation to the sugar question.

Representative COCHRAN. I think we had much better discuss one subject thoroughly than to skim over three or four subjects. I believe we will get much more out of it.

Secretary TAFT. Mr. Chairman, I am anxious to go around on that street railroad, but I really think that it would be better to consume the time this afternoon in continuing the hearing rather than to take the trip. I would also like to make a suggestion (I am one of the chief offenders and I presume it can come from me with good grace) that the questions hereafter to be submitted should not be argumentative or discussing economic principles, but confined to facts submitted by the witnesses.

The CHAIRMAN. The motion is made to adjourn until to-morrow at 9 o'clock.

Representative GROSVENOR. I will amend my motion to the effect that we adjourn until to-morrow morning at 9 o'clock, that we give the sugar men one hour, and then take up the tobacco question.

Representative COCHRAN. I move to amend by providing that we meet this afternoon at 3.30 o'clock.

The CHAIRMAN. The motion is made to amend the motion to adjourn by providing that the adjournment shall be until 3.30 o'clock this afternoon.

Secretary TAFT. Mr. Chairman, to-morrow morning has been

fixed for an expedition to Fort William McKinley. As the construction of that post has been discussed in Congress and perhaps the members would like to see it, to learn what has been done with our appropriations, I therefore presume that the party will desire to make this trip.

(The motion to adjourn until 3.30 this afternoon was then adopted, and the meeting adjourned to that hour.)

AFTER RECESS.

The committee met, pursuant to adjournment, at 3.30 p. m.

The CHAIRMAN. The hearing will proceed.

Representative CURTIS. I should like to ask the gentleman who gave us some information this morning a question or two. I see he is here with us. I should like to ask his name.

Mr. LOWENSTEIN. M. F. Lowenstein.

Representative Curtis. What is your business?

Mr. LOWENSTEIN. Importer and exporter.

Representative CURTIS. How long have you been in the Islands?

Mr. LOWENSTEIN. Five years.

Representative CURTIS. In one of the statements this morning it was disclosed that the sugar trade by the Chinese was in the raw sugar. I wish you would state to the members of the party, if you can, what fixes the price of raw Philippine sugar at Hongkong.

Mr. LOWENSTEIN. There are two classes of buyers in Hongkong; one class is formed by two refineries, the Tui Ku Refining Company and the Chinese Sugar Refining Company, Limited, of Hongkong. They buy Philippine sugar for refining purposes. They give the preference to the Java sugar, but at times they will buy the Philippine sugar. Their prices are always based upon the market price of London and New York, and if the price in market on Philippine sugar, owing to a reduction of the duties, should be advanced so as to make it high as compared with Java sugar, then these refineries would no doubt discontinue using Philippine sugar. Now, the other class of buyers are the Chinese merchants who buy and distribute the raw sugar in its raw state as it is produced here. These merchants do not depend so much upon the markets of the world, but are more or less affected by conditions ruling in these Islands; therefore, if we had a more favorable market, produced by a reduction of duties in the United States, no

doubt they would have to pay more for our raw sugar, as they can not supply these grades of raw sugar which are very popular not only in China but also in Japan with the raw sugars from other points. They can not get these raw sugars from Java or elsewhere.

Representative CURTIS. Well, they give as the opinion of one of the witnesses before the committee last winter that these people would pay the price of sugar in New York less the freight from Hongkong to New York.

Mr. LOWENSTEIN. Well, I should say that the second class would. I think so.

Representative CURTIS. Well, as I understand the statement this morning, the large part of the sugar used by the Chinese is this raw sugar, and therefore if the duty were reduced and the Filipinos could get the higher price in New York they would get a higher price in Hongkong.

Mr. LOWENSTEIN. Yes, sir.

The CHAIRMAN. Now we are ready to hear from the Chief of the Bureau of Agriculture.

STATEMENT OF PROF. W. C. WELBORN, CHIEF OF THE BUREAU OF AGRICULTURE.

Mr. WELBORN. Before proceeding I promised some gentlemen to give some figures out of the census returns which I got when I went to lunch. The question was as to the size of the sugar estates in the Islands.

There are 916 sugar mills in the Islands. About one-half of this number are animal-power mills and the other one-half steam mills. Five hundred and sixty-nine of these mills are in the Island of Negros, the island which produces perhaps eight-tenths of all the sugar exported from the Philippines, and practically all the rest are on the Island of Luzon. Assuming that each mill serves one estate, the estates average for the two islands 176 acres planted to each estate; for Negros 127 acres planted to each estate.

Now, I shall not consume time in arguing the political or legal questions concerning the Philippines and the United States. I am here to testify somewhat as an expert concerning agricultural and business conditions in the Islands and at home.

A little sugar is raised in most of the Islands, but as a commercial product in only three or four. I find from the census returns recently arrived that Occidental Negros has been producing about eight-tenths of the sugar for export. Only 180,000 acres

were planted in cane in 1902 and the average yield was 2,200 pounds per acre—the lowest for either cane or beet sugar made on the face of the earth. The average yield in Occidental Negros was 2,800 pounds per acre. The average yield for Pampanga, the next largest sugar-producing province, was about 1,100 pounds. For 1903 and 1904 I am sure, from personal observation, Negros has fallen off in yield and Pampanga has gained.

I find, in fact, that only 3,200,000 acres of land in the Philippines were cultivated in 1902. One-half of the whole is in rice. One-third of the balance is in hemp, 267,000 acres are in corn, about 375,000 acres are in cocoanuts, and about 80,000 acres only in tobacco.

Most of the land planted in cane in Luzon is poor and sandy, and probably does not average over 1,500 pounds of low-grade sugar per acre. Only one crop is gotten every two years. The land is too poor to grow a ratoon crop and is allowed to lie fallow a year, when it is again plowed up and planted. In the older lands of Negros the same method is used; but on the fresher lands one ratoon crop is often grown—never more—and then the land lies fallow a year.

One reason for low yields and poor quality of product in the Philippines is the very old and poor machinery in use. In Luzon there is nothing larger than a 3-roller mill in use, and I do not exaggerate when I say that at least half of the mills are driven by carabaos. In Negros there is one 5-roller mill of a pattern of twenty-five years ago; all the rest are 3-roller mills, and perhaps average a loss in the total juice of the cane of about 40 per cent. There is not a vacuum pan in the whole Archipelago, and not one pound of centrifugal sugar is made. The cooking is done in the old Jamaica train in vogue in other sugar countries forty years ago. The sugar, molasses, and all are boiled down hard and beaten up with spades and called sugar. It is a brown, lumpy, scorched sugar, polarizing about 84 degrees and containing a large amount of glucose, ash, and other impurities that prevent much of the indicated 84 per cent of sugar from being recovered at the refinery. Scarce and high in price as fuel is in the Philippines, no one has ever attempted to crush cane well enough to burn the bagasse without first sunning it. I have seen fifty men engaged in spreading the bagasse out over an acre of yard, raking it over to dry, and carrying it back to the furnace.

With every other method about the mill and plantation just as crude, and with the period of low prices prevailing for several years past, there is no wonder that the sugar industry has almost starved to death, and with it the laborers working for the proprietors. With the carabao as the draft animal, any great expansion of the industry is impossible. The carabao works half the time and wallows in the mud the other half. He walks half as fast as a horse with a heavy load. With the native plow a man and the carabao will scratch over an acre of land in five days. It never takes less than three of these scratchings (called plowings) to put the land in shape for planting, and it often requires five. In order to grow 1,000 acres of cane, 400 carabao must be kept and 400 acres of land used for grazing them. Since the surra and rinderpest and other contagious diseases have become prevalent in the Islands it is impossible to keep even 100 carabaos bunched together without disease cleaning out the whole of them perhaps before a single crop can be grown and harvested. In making sugar in a tropical country planting must, of course, go on with the harvesting and grinding. Notwithstanding the ridicule the American sugar men offered Colonel Colton's statement—that the cane is planted once a year and cut at twelve months of age—such is the truth and the whole truth.

So, at the present time, the mills in the Islands—many of them now twenty to thirty years old—are becoming worse and worse worn, the mill buildings are falling down, and the people are without money and without credit to renew them. They do, it is true, get some credit from Chinese who do a scalping business all over the sugar districts, and, to my own knowledge, have loaned money to planters at 10 per cent a month. When the high prices of the recently passed grinding season came the people were (most of them) not in position to be much benefited. The dealers of Iloilo and the Chinese everywhere knew of the rise in price first and, by making advances to help along the harvesting, contracted for the output at much below its value.

For the years 1887, 1888, and 1889 some three-fourths of all Philippine sugar went to the United States, and the production of that period was substantially twice what it is now. For the year 1902 it seems not a pound of Philippine sugar went to the United States. In 1903 the United States took about 35,000 tons of our low-grade sugar and imported from other foreign countries about

2,000,000 tons of sugar. This importation was exclusive of Hawaii and Porto Rico, which are regarded as United States territory, just as we believe the Philippines ought to be regarded. Philippine sugar, in other words, made up about $1\frac{1}{2}$ per cent of the value of the home country's import of sugar. In 1904 about the same relative showing is made. The mother country, then, seems to be spending 3 cents for sugar from her Philippine colony every time she spends a dollar for Cuban sugar. If the United States took all our sugar, the bill would now amount to just $6\frac{2}{3}$ per cent of what she is spending for this article in Cuba, or just about $3\frac{2}{3}$ per cent of what she is spending in all foreign countries, including Cuba, for sugar. These calculations take into account the low grade of Philippine sugar and its smaller market value.

In the last twenty-five years Louisiana has multiplied her sugar yield by three, counting that the extra large yield given by the last exceptionally favorable season will be kept up. The beet-sugar industry is really less than fifteen years old as an industry, and in that time has attained a production of about a quarter of a million tons of sugar. In the meantime Hawaii and Porto Rico have been added to the United States, with the production of substantially a half million tons. In spite of all this, the United States has multiplied her importation in twenty-five years by more than two. Her consumption of sugar has multiplied by three in the same period of time. Let this rate of increased consumption go on for another quarter of a century, and the home beet-sugar crop may be multiplied by three; the cane-sugar crops of Louisiana, Hawaii, and Porto Rico may multiply by three, and still there would be room for the Philippine crop to multiply by sixty and all go to the United States. It is true we need not expect our home consumption to increase threefold in the next quarter of a century, but it is entirely reasonable to expect it to double, bringing the total requirement to 6,000,000 tons.

Nor will anyone acquainted with the Hawaiian situation be found to predict an increase in output of 100 per cent in twenty-five years, or even in one hundred years. The land and water are not there to double with. Nor will Louisiana likely more than double her product in twenty-five years—and these two sources make up about two-thirds of the present domestic supply. If consumption should double, and the present domestic supply should double, our present importation would have to double exactly, and this importation

would require 4,000 per cent more sugar than the Philippines now produce. Is it reasonable to believe that the Philippines could ever produce as much sugar as all the balance of the tropical world now produces? I think not.

Should consumption remain stationary and home production double, there would still be need for a million tons of sugar, which is twice as much as the Philippines have prospect of ever producing.

There is room for considerable increase in sugar output in the Philippines, but the capital and the initiative and the organizing ability must largely come from the outside and join with the people here who own the lands. The people own the sugar lands, however, always in too small bodies to justify large factories. They generally have very little desire to sell their holdings, and still less to organize and coöperate in a way to make central mills a success. They are generally suspicious of each other and of outsiders, making business discouragingly slow.

There are no ports on the west side of Negros, and all sugar has to be hauled out of the interior and sent to Iloilo on small sailing craft that can come up to the coast with the tide. Until railroads are built no very great things in expansion need be looked for, and it is estimated to require five years to complete a railroad. The laws applicable to the Islands do not allow a corporation to own land enough to justify even a medium-sized central mill.

The sugar interests in the States have been pleased to speak of 70,000,000 acres of fine sugar lands in the Philippines and their enormous possibilities for production. By the same course of reasoning we may convince ourselves that the South will produce 100,000,000 bales of cotton, and the whole country 10,000,000,000 bushels of corn. Why, Louisiana has 12,000,000 acres alluvial land. If she should plant all this some year she would probably make 18,000,000 tons, or nearly twice the world's present supply. There is just about as much prospect of planting 1,000,000 acres in the Philippines as these 12,000,000 in Louisiana.

There is certainly more than three times as much waste mountainous land in the Philippines, in proportion to area, as there is in the cotton, corn, and sugar belts of the United States.

Some 50,000,000 acres of land in the Philippines are in forests, and the laws do not permit forest lands to be sold or leased until the valuable timber has been regularly cut under license, measured,

and paid for. Even then a corporation can not own more than 2,500 acres, which is not regarded as sufficient to induce capitalists to invest in large factories. As a matter of fact, not a dollar of American capital has been invested in sugar growing in the Islands during these six years. In fact, if suitable organizations could be effected so as to control the necessary acreage, I believe that a few central factories could do well in the Philippines.

Laborers are not ambitious to work at the prevailing rate of wages, but there is little doubt that, with some better inducements offered, a limited number of concerns could get the labor needed and make money. The price of labor is certain to advance with the building of the railroad system in the Islands, and this result will still be more marked if roads, bridges, schoolhouses, and other public works, badly needed, are constructed. This industry must begin, however, just where Cuba began forty years ago and where Java began fifty years ago.

Now, I wish to state a fact that will surprise you. The farmers and farm laborers in the Islands cultivate 2.56 acres each. In America each farmer and farm laborer cultivates 40 acres. Pray tell me, are these the industrial giants that Colonel Hill, Mr. Colcock, Mr. Hathaway, and other sugar people predicted would blot two great industries off the American map in three years?

As you gentlemen can plainly see for yourselves, the great body of the present generation of Filipino people is without muscular development, without the habit of sustained industry, and lacking in that acquisitive ambition to make them steady laborers. People that have lived content for years working no more than $2\frac{1}{2}$ acres to each actual farm laborer need not be expected suddenly to do great things in an industrial way. I believe a fairly good supply of labor for a limited number of enterprises can be had with a reasonable advance on present rates of wages; but the next generation must be looked to for the best results.

In the discussions before the Ways and Means Committee last winter a great deal was said as to the cost of production of sugar. The truth is, it costs every man a different price from every other man. Every different system shows up a different cost for each man. Matters of average cost are extremely difficult to determine, especially if that cost must be traced through field, factory, and through the markets.

I have personally known the cost of raising cotton to range all

the way from 3 cents a pound to 20 cents a pound, and the cost of raising corn to range from 10 cents a bushel to \$1 a bushel, depending more on the yield per acre than any other one factor. I do not know what it costs to make sugar here for certain, and no one else does. I do not know what it would cost if the best conditions were provided; but I do know that, for the very low yield obtained in Pampanga as shown by the census returns, I could not produce it for twice its price. I know that the sugar people of these Islands have lost money till the industry is in the worst state of want and wreck and ruin that I have ever seen in any country. I know that they have lost this money while selling sugar at about 1½ cents, gold, a pound in Iloilo, the prices received for three years previous to the past.

Say, if you will, that this statement can not be true, because people will quit a losing business. Just as well say a man quits drinking when liquor begins to affect him or quits gambling when he begins to lose. I do not care what one individual may have thought he could do, or thought he did do, the great majority of the sugar growers have lost, and lost enormously.

Say, if you will, that this great body of sugar growers should do like the few, and raise sugar cheaply and make money. I will reply, in behalf of the Filipino people, that your great body of beet growers should raise 25 tons of beets per acre at a cost of 55 cents per 100 pounds for the sugar in the beets, like a few showed you how to do; and that your great beet-sugar factories should extract raw sugar from the beets at a factory cost of a quarter of a cent per pound, as the German factories have shown you how to do, instead of charging about a cent and a half per pound for this service. I will reply further, on behalf of these people, that we have the same right to ask why Louisiana cane growers do not, all of them all the time, average 28 to 30 tons of cane per acre, as they did in 1904 and 1901, and why they do not all make 40 tons of cane per acre as some did, in which case the cost of sugar would come below 2 cents per pound. In other words, if you ask why these people are not prosperous and progressive so they would not need help, I will ask why you are not more progressive so you will not need so much protection.

Now, I read a great deal in the hearings about examining into the statements of the witnesses. I wish to be permitted to do a little of this examining this morning and to apply a little of

the same system of mathematics that the sugar representatives in the States used so freely.

Mr. Colcock, of Louisiana, predicted that the passage of the Curtis bill would suddenly stimulate production in the Philippines until 1,300,000 tons of sugar would be produced in three years. I will undertake to say that a single factory could not be built and a single crop from such a factory marketed in that time. I would remind him that it has taken Louisiana ten years to increase her production 50 per cent.

Hawaii has increased only 40 per cent in six years of absolute free trade. Java multiplied her yield by three in twenty-five years, while Cuba has multiplied hers in the same time by two and one-half. The world's cane-sugar production has multiplied by three and one-half in fifty years, and during this period the world's consumption has multiplied by seven and one-half.

I mention these statistics to show that cane-producing countries move slowly, and especially tropical cane-sugar countries. There is not the history of one tropical country on earth to justify us in believing that the Philippines will make 500,000 tons of sugar at the end of ten years from the time this tariff concession is made.

Now, let me examine into another statement of one of the witnesses before the Ways and Means Committee. Colonel Hill, of Louisiana, told the committee that his people had been making heroic efforts to carry out their oft-made promise to develop the infant—to increase their industry and to reduce the cost of production. He said they had knocked off a half cent a pound in two years. If they do that well this year they will have the cost reduced 17 cents per 100 pounds more than the concession the Philippines ask for. If you say the Filipinos do not need to ask for anything, I again say you do not need to keep all you have in the way of protection.

The beet-sugar people, through Mr. Hathaway, said they had whacked off 68 cents in cost of production, all in one year. Surely, they are almost out of the woods already and can stand a little less protection. Colonel Hill said they had gotten the cost of cane sugar down to about 3 cents, based on a yield of 20 tons of cane and 125 pounds of sugar per ton. I find the average yield of sugar per ton of cane in Louisiana has been, for ten years—from 1892 to 1901—146.5 pounds. If 20 tons of cane and 125 pounds of sugar per ton of cane cost 3 cents, then 20 tons of cane and 146.5 pounds

of sugar per ton of cane will bring the cost a little below 2½ cents per pound.

Now, these sugar representatives from the States talked over-much about the amount of reduction in duty to allow the Filipino in order to give him an equal business opportunity with sugar growers in the States. That seems about what we are after. So, to begin with, we are to meet the American grower in his market—say, in New York. We send a sugar there that sold this year frequently for just 1 cent, gold, a pound less than 96-degree sugar. That gives \$0.01 advantage to the American grower. We pay \$0.005 in freights, insurance, commission, etc., \$0.0029 for duty on this low-grade sugar—\$0.0179 in all; we have the disadvantage.

You make sugar for 2.50; take 1.79 from the 2.50 and we have 0.71 cent of the total farm and manufacturing cost for our low-grade sugar. It looks as if you will have to take all the duty off to give us an equal showing.

If 20 tons of cane and 146.5 pounds of sugar bring the cost down to 2.50 cents per pound, how about last year's 28 to 30 tons' yield per acre? I can demonstrate that it will bring the cost below 2 cents per pound.

Suppose we compare a few Louisiana planters who made 40 tons of cane per acre with the few isolated cases the opposition picked out in the Philippines.

The man who got 40 tons of average cane under average working conditions brings his cost of production down to about 1.80, if Colonel Hill's first statement is correct. Under an exceptional condition like this, our Filipino farmer would have to make his low-grade sugar for one one-hundredth of a cent per pound to be on an equality with the Louisiana farmer.

But I further wish to question the evidence of the witnesses on the other side as being *ex parte* statements, whatever that means.

Colonel Hill's items of cost supposed five to six plowings, and "If," he says, "the cane needs five hoeings, it gets it." I never knew the word *if* to have quite so much meaning. I have cultivated cane all my life, and two hoeings are what it generally requires, and three to four plowings. Dr. W. C. Stubbs, of Louisiana, told the Industrial Commission, about 1900, that improved cultivators had about supplanted the use of the hoe in cane cultivation. Outside of planting, fertilizing, and handling the mature crop the cost is less than for cotton, acre per acre.

It is impossible to get a bill of cost for an average acre of Louisiana cane of \$75 if the mill itself is operated under anything like normal, economical conditions. Mr. Munson, of Louisiana, testified as to the cost in his case. He gave the cultivating expense of cane, including cleaning of drains, as \$20 an acre. I know that can not be a normal condition, as I know \$6 or \$7 will pay every cent necessary to cultivate any average acre of cane in Louisiana. He gave \$24 a ton as the factory cost of making sugar. The Hawaiian factories turn out sugar at about \$4.50 a ton cost, the Queensland factories at about \$6, and every one of these latter has a fuel bill. I know the factory cost in Louisiana should be higher than a tropical mill of equal grade, but you will have to *show me* before I accept \$24 as a normal factory cost of turning out sugar. You can not show the items and prove that such a cost is not abnormal and unreasonable in the operation of the excellent mills you have in Louisiana. Dr. Wiley, Chief of the Bureau of Chemistry, told the Industrial Commission in 1900 that Louisiana planters were then selling sugar at $2\frac{1}{2}$ cents and making more money than ever before. Colonel Hill said the cost of 3 cents did not include interest and depreciation. I beg to suggest that, like the drummer's suit of clothes, it is in that bill of cost, but you can't see it.

Now, I want to look into the back yard of the beet people a little. Mr. Colcock further says, on page 127 of the hearings before the Ways and Means Committee, that German and Austrian factories were then contracting for beet roots for 30 cents for 110 pounds, or \$6 for a ton of 2,200 pounds, and that this will bring the cost of sugar at the factory to 12s. 3d. per hundredweight, or \$2.63 per 100 pounds.

The New York price, based on the above and figuring freights, duties, etc., will be $5\frac{1}{2}$ cents per pound for 96-degree sugar. He reasons that, with the next crop of sugar at such prices, the Philippines do not need any concessions.

The figures given by Mr. Colcock prove another thing that he was evidently not looking for. They prove that, even supposing the German fabricant thought 96-degree centrifugal would be worth $5\frac{1}{2}$ cents in New York, duty paid, he was still willing to do business on a basis of charging 31.5 of the gross value of the beets. Now, the average price of beets in the United States per short ton is rather under than over \$5. Putting the American beet-sugar

factory on a basis of 88-degree raw sugar worth five-eighths cent less than 96-degree sugar, and supposing his beets to turn out the same as German beets (which is about a fact)—in other words, putting the American factory on a parity with the German factory—we find the American factory charging 62.7 per cent of the final value of the sugar and giving the farmer 37.3 per cent for his share. I am not under the necessity of taking Mr. Colcock's figures to prove a much worse case for the American beet-sugar factories, which are now said to belong to the Sugar Trust or to belong in sufficient part to the trust to enjoy a perfect understanding with that institution.

I have undisputed information that, away back in 1901 and 1902, thirty-one German factories working on beets that yielded 14 per cent of sugar ran at a factory cost of 64 cents per short ton of beets, or about \$4.50 per ton of 88-degree sugar. The Germans now have the yield slightly above 15 per cent, and the cost should as a consequence be about \$4 per ton of sugar. Will anyone tell me the factory cost of making 96-degree Louisiana sugar can be \$24, when Germans turn out beet sugar at \$4 to \$4.50 a short ton? Will anyone say again that factory expenses in America for turning out refined beet sugar are \$34 per ton of sugar?

It is said the great packing houses butcher cattle for the offal as profit. It seems that these beet factories, when they go to butcher the sugar beet, take all the offal and nearly two-thirds of the carcass. Do these constitute the infant industry, so much needing protection? I must say it is a lusty infant, and has the finest appetite and the loudest voice I ever heard of.

Let us look at the agricultural side of the beet-sugar business. If the beet farmers can find any way to force the factories to give them a fair share of the gross product they will be well off; indeed, they need not bother themselves about Philippine sugar. No less authorities than Prof. F. W. Woll, of Wisconsin, and Professor Kedgie, of Michigan, said the average cost of raising an acre of sugar beets is \$30. I have abundance of evidence to support this view, in Special Report No. 80, Department of Agriculture. The average yield appears to be 12 tons, and the Germans have their average about 13 tons. This is a farm cost of \$2.50 a ton. The price being \$5 a ton, the farmers seem to make clear 100 per cent. If the American beet factories worked

within 30 per cent as cheap as the German factories, I should say the beet farmer would make 250 per cent clear.

If a ton of beets will turn out 250 pounds of sugar, the average farm cost would appear to be 1 cent a pound for the sugar. If the factory's cost should be \$20 a ton for turning out refined sugar, then the cost of the sugar to the factory also owning the farm would be 2 cents. Let us compare this with our sugar according to last quotations:

Our sugar is worth 1 cent less in New York than 96-degree centrifugal, and refined was worth on July 3 one cent more than 96 degree. Therefore, our sugar is worth 2 cents less in New York, duty paid, than the beet factories turn out. Add to this all expenses of moving sugar from the farm in the Philippines to New York—0.50 cent, plus 0.29 cent duty—and we have a difference of 2.79 cents advantage that the beet industry has over our industry here. Starting with a handicap of 2.79 cents, that means that, in order to put the two industries on the equality insisted on by the sugar attorneys who went to Washington, Philippine sugar would have to be grown at a cost of 0.46 cent a pound.

The same Professor Woll quoted produced sugar at a total pound cost of 0.55 cent a pound for the sugar recovered at the factory. I can give you a list of a dozen men in beet-sugar States whose farm cost all told amounted to no more than 66 $\frac{2}{3}$ cents per 100 pounds for the sugar of the beets, on the assumption that the farm cost is \$30 an acre. I can take special cases like these and show you that, to put us on an equality, we would have to have all duties removed and be given a substantial bounty. And these special, isolated cases are the ones so freely quoted to prove cheap production in the Philippines.

Let me examine a little further into one of Colonel Hill's statements, made in January, to the effect that 20 per cent off the tariff did not and would not help Cuba, but would all be appropriated by the trust. I wonder if Colonel Hill will now insist that was a profit? He said, furthermore, that any reduction made would not help the Filipinos. Now, as a matter of fact, Cuba has received exactly 20 per cent of the duty more for sugar than other West Indian and South American countries selling in New York. Of course, she has not received the Hamburg price, because that would be equivalent to shipping the Cuban sugar to Hamburg and back to

New York. Whether it would benefit the Philippines or not, the Filipinos would like to try it.

I myself have believed the sugar business may be a pretty good thing in the Philippines if gone about in the right way, but found the half had never been told when I read the reports of the testimony of these sugar people in the States. American capitalists must know those fellows who testified as to our cheap cost of production, for not a dollar of capital has come to the Philippines yet to be invested in sugar. One gentleman, Mr. Hathaway, seems to have believed what he preached, and has been out here for two or three months trying to buy sugar land. I am sorry he has not succeeded in buying what he wants, for he intimated to me that, if he succeeded in finding a suitable investment, he would join with us in asking to have duties removed against Philippine products entering the United States. But that is only another illustration of the fact that tropical countries generally do business "mañana," and next year instead of to-day, and it will probably be 1910 before Mr. Hathaway gets his first Philippine sugar crop on the American market.

Now, I have devoted a good deal of attention to proving that American sugar interests could still prosper under less protection than now enjoyed; but I did not and do not now admit that the entry of Philippine sugar in the United States will create the slightest effect on the market values there. Just as certainly as history repeats itself, the consumption in the United States will outgrow the production in the States and in all the colonies.

The various figures presented concerning the very complicated matters of cost of production and distribution, both here and in the States, may be confusing; but one main fact must be evident to everyone, and that is that the sugar interests in the States have prospered while the industry here has starved almost to the point of obliteration.

Your beet-sugar people say it takes a long time to educate American farmers up to the new industry of growing beets. That is very true, but, pray tell me how much longer it will take to educate a people like these to up-to-date methods when their present generation has little or no education, no idea of progress, no money, no credit, and no means of improvement.

If it will not tire you, I will tell a short story—a true one—that will illustrate somewhat the matters under consideration. One of

these sugar witnesses at Washington said, "Grant this concession and immediately the acreage in cane will double, each acre will yield double, each ton of cane will make double the sugar," and so on in a sort of geometrical progression of affairs.

Many years ago a wealthy young Kentuckian moved down in the Mississippi delta and bought a cotton plantation. He let the negroes and mules run the plantation while he ran the races and played poker from New Orleans to Memphis. Soon he had lost all, and was very much down on his luck, though he would scrap the biggest man in town if he intimated he had gotten to be poor white trash. At last one day he brightened up and said to a friend:

"I've got it at last. I'll be a rich man in five years."

"Why, what is it?"

"Well, I am going to buy 100 cows and put them out on Island No. 37. Before the year is out these cows will have 100 calves; before the second year expires they will have another 100 calves, making 300 head all told. By the end of three years the 100 old cows will have their third 100 calves and the first 100 calves born will themselves have 100 calves, giving a total increase for the third year of 200 head. The next year the increase will be 300; the next year 400, and so on."

"But," said the friend, "half of all those calves are entitled to be bull calves."

"Well, damn the luck again! Luck has always been against me! Those damned infernal bull calves have knocked me out of another fortune!" [Laughter.]

I want to say there are plenty of bull calves, and barren cows, too, in all the calculations about a tropical country. [Applause.]

Senator NEWLANDS. Mr. Welborn, what legislation would you advise regarding the area of land that a sugar corporation should own?

Mr. WELBORN. Legislation is not my specialty; I am studying the agricultural side of it. Really, that might be a little embarrassing question for me; I would rather leave that to the Governor-General and the Commission. If I endeavored to answer that, the Governor-General and the members of the Commission might charge it up against me some time.

Governor-General WRIGHT. That is all right, go ahead.

Senator NEWLANDS. The Governor-General says he acquits you and gives you a free hand.

Mr. WELBORN. Well, these are my personal views only; the Government is not responsible. Personally, I should like to see less restriction than we have now. I do not say that the restrictions should be taken away altogether, but I think they should be made easier.

Senator NEWLANDS. What sort of a restriction would you suggest?

Mr. WELBORN. Well, say a restriction of 5,000 acres; that would support a fair-sized factory. I would favor safeguarding the people here in every way consistent with a fair development of the industries.

Senator NEWLANDS. That would permit the best modern developed sugar plantation?

Mr. WELBORN. I think it would enable the plantation to be worked all right. Of course, the mill could always bring cane in from the outside. I wish to say here, however, that I know something about the difficulty of getting these people to organize. It is almost impossible to get them to do so or to pull together at first; every man is against the other.

Senator NEWLANDS. Do you think that if the same methods of organization, production, and of manufacturing sugar were employed here as in the Hawaiian Islands, under similar conditions as to capital, etc., that the industry would be a prosperous one?

Mr. WELBORN. Well, I believe so; I have no reason to think otherwise.

Senator NEWLANDS. Now we will assume that this duty is abolished, and Hawaiian capitalists who are familiar with this business should conclude to start a plantation here, should organize a corporation and secure 5,000 acres of sugar land—they could do that easily, I presume—and they purchased this land—

Mr. WELBORN. I don't know about that. It would be a slow process. I have known people here who have been trying to buy lands for six months or more, and they have had a hard time. It is hard to get the people to part with the lands, and still I presume it could be done.

Senator NEWLANDS. You say the people are unwilling to sell the lands?

Mr. WELBORN. Well, they hold on to them pretty well.

Senator NEWLANDS. Assuming that it would be possible to purchase 5,000 acres in one holding, has the Government 5,000 acres here which it could turn over to such a corporation?

Mr. WELBORN. Possibly so.

Senator NEWLANDS. Are there any lands under Government ownership capable of being used for sugar plantations, as are the existing plantations?

Mr. WELBORN. I should say yes. However, the Government has no land on the Island of Negros, but the Government has public land which I think would do fairly well.

Governor-General WRIGHT. Where are these lands?

Mr. WELBORN. The only land I know of personally is in the Island of Mindoro, but you would have to get the people to go there, because that is all a wild country.

Secretary TAFT. Have you been over the land?

Mr. WELBORN. Well, in part; yes, sir. You would have to clear it, as people here understand clearing. It is all grown over with the toughest kind of grasses and other shrubbery. It is a wild country and the problem of labor would be a rather difficult one; it would all have to be taken there.

Senator NEWLANDS. There are about 150,000 to 200,000 acres of sugar land under cultivation here, are there not?

Mr. WELBORN. One hundred and eighty thousand acres in 1902.

Senator NEWLANDS. How many more acres of land are there, in your judgment, in all the islands that are adapted to sugar cultivation.

Mr. WELBORN. My judgment upon that would not be worth much.

Senator NEWLANDS. Is there anyone here who can answer that?

Mr. WELBORN. Well, perhaps not; we have had no surveys made here yet.

Senator NEWLANDS. Would you say that the sugar area could be doubled?

Mr. WELBORN. Yes; there is plenty of land for that.

Senator NEWLANDS. Plenty of land; well, is there plenty of land to treble it?

Mr. WELBORN. Yes, I should say so.

Senator NEWLANDS. To quadruple it?

Mr. WELBORN. I should say so.

Senator NEWLANDS. Is there plenty of land to multiply it ten times?

Mr. WELBORN. I do not know about that. You are getting up pretty high now; but I say that just the same as there would be land enough to multiply the plantings in Louisiana by twenty, you might do the same here, and it is just about as probable that it will be done.

Senator FOSTER. Now you have made a number of remarks about the possibilities of production in Louisiana. Do you know just what kind of land it is that you are talking of putting into sugar?

Mr. WELBORN. Well, I merely referred to the report of Dr. Stubbs, who said that there were 20,000 square miles of alluvial land in the State of Louisiana.

Senator FOSTER. Don't you know that only a small portion of that could be put into sugar?

Mr. WELBORN. Of course, and the same thing is true in the Philippines. I merely made that statement to call attention to the absurdity of the arguments made in regard to the enormous probability of Philippine sugar growing.

Senator FOSTER. You have never seen cane growing in the Tensas district?

Mr. WELBORN. No; but I have seen it growing as far north as Alexandria in the Red River Valley, in the northern part of the State.

Senator FOSTER. Yes; but don't you know that was an experiment, and that all that has been changed into cotton land?

Mr. WELBORN. Well, I was in Louisiana three or four years ago. I have not been there since, however.

Senator NEWLANDS. Well, now, Mr. Welborn, you understand my question in regard to the lands here, do you not? There has been in Hawaii an absolute limitation upon the amount of land available for sugar cultivation, has there not?

Mr. WELBORN. Yes, they have climbed the mountains almost to the top and put every acre under cultivation that they can.

Senator NEWLANDS. Yes, but that there is no immediate limit to the land here; is that correct?

Mr. WELBORN. Yes, I presume that is true.

Senator NEWLANDS. Do you regard the land in Hawaii as better adapted to sugar than this?

Senator FOSTER. So far as climate is concerned, Hawaii and the Philippines are about the same, are they not?

Mr. WELBORN. No other country will ever make the same yield per acre as the dry side of the Hawaiian Islands.

Senator FOSTER. Have you no land located here in these Islands as those lands are located—lands which will permit of irrigation and are on the dry side of the mountains?

Mr. WELBORN. No, we have no lands free from a very destructive typhoon season. Every part of the Islands is more or less visited by these typhoons.

Senator NEWLANDS. So that you have a disadvantage with Hawaii. Now you are aware that in Hawaii they use a great deal of fertilizer?

Mr. WELBORN. I know that the planters spend nearly \$50, gold, a year per acre for fertilizer.

Senator NEWLANDS. Could they not employ the same fertilizer here and increase the production?

Mr. WELBORN. Of course, but my judgment is that you could not expect anything like the production that they get in the Hawaiian Islands. You could not expect the large yield which they get there.

Senator NEWLANDS. Now I understand from your statistics that about one-third of the sugar consumed in the United States is produced in the United States?

Mr. WELBORN. In the United States and her dependencies; yes, sir.

Senator NEWLANDS. Now, then, the duty on sugar is about \$35 a ton?

Mr. WELBORN. You mean 96-degree sugar or this Philippine sugar?

Senator NEWLANDS. Well, say, your Philippine sugar.

Mr. WELBORN. Well, it would be three times 29 and a little fraction—about 88 cents, gold, per 100 pounds.

Senator FOSTER. On that quality?

Mr. WELBORN. Yes, on the Philippine article.

Senator NEWLANDS. And what would it be on 96 degree?

Mr. WELBORN. For other countries that produce 96-degree sugar it is about \$1.68.

Senator NEWLANDS. \$1.68 in one case and here 88 cents?

Mr. WELBORN. Yes; but that presumes that the 25 per cent tariff is off; otherwise it would be something over \$1.20 for the low-grade Philippine sugar as against \$1.68 for the 96-degree sugar.

Senator NEWLANDS. Then, if you should produce 300,000 tons annually, what would that amount to in the remission of duties in the United States, if the duty is entirely abolished?

Mr. WELBORN. That would be about \$7,500,000 per annum, providing it all went to the United States.

Senator NEWLANDS. Now, that is what American consumers, then, would pay to the Philippine producers for their sugar above the international price. What would be the compensating advantage to the Americans for paying this?

Mr. WELBORN. Well, I don't know how much trade that would stimulate. Of course, we are under some limitations here at present, and will be up to the year 1909; but I had thought that afterwards we might put up the bars against foreign countries and take about \$8,000,000 worth of trade in cotton goods and other goods in proportion. Now, this has not been my field of study, but I should not be surprised to see America sell \$100,000,000 worth of goods here in ten or fifteen years from now.

Senator NEWLANDS. Well, you seem to have a number of figures here, and I would like to have you put in this record the amount the United States is remitting to its insular possessions. I understood you to say that Porto Rico and Hawaii are producing 500,000 tons; that is 96-degree sugar, is it?

Mr. WELBORN. Yes, sir.

Senator NEWLANDS. And the duty is \$35 a ton?

Mr. WELBORN. Well, it is about \$35 a ton.

Senator NEWLANDS. And that, for 500,000 tons, would amount to \$17,500,000 per annum; is that correct?

Mr. WELBORN. That seems to be nearly correct.

Senator NEWLANDS. Then you add to that \$7,500,000 remitted to the Philippine Islands, and you have \$25,000,000 that the American consumers pay to their insular possessions—to the producers of sugar therein; now what compensating advantage is there for them?

Mr. WELBORN. Well, would the American consumer pay any more for sugar afterwards than he does now?

Senator NEWLANDS. Well, then, we come to the question as to whether the duty should be as high as it is now; what do you think about that?

Mr. WELBORN. Well, I must admit that I am a Mississippi Democrat and have a good deal of consideration for the interests of the great body of consumers of sugar.

Representative DE ARMOND. Would the remission of the duty on Philippine sugar operate any more disastrously to the Treasury of the United States than did the remission of the taxes on Hawaiian sugar under the act which permitted that sugar to come in free—would it affect the Treasury any more in the one instance than in the other?

Mr. WELBORN. No; I think not.

Representative DE ARMOND. I would like to refer that question to Senator Newlands, as to where the difference in effect is.

Senator NEWLANDS. Well, the difference is in the fact that I think the Hawaiian Islands are necessary for our coast defense, and I am willing to pay anything for them.

Mr. LOWENSTEIN. The United States controlled practically all of the trade of the Hawaiian Islands when the Hawaiian Islands were annexed. We do not begin to possess 25 per cent of the trade of the Philippine Islands. Therefore, if you take off the duty on sugar and establish free trade with the Philippine Islands, all of this trade, amounting to between \$30,000,000 and \$40,000,000 per year, would probably come to the United States, and the more you develop the material interests of these Islands the more trade will go to the United States, and in that way the merchant and producer of the United States would be more than compensated.

Senator NEWLANDS. Now that is the information I wanted. Now, assume that the United States got all the trade of the Philippine Islands, what would it amount to?

Mr. LOWENSTEIN. About \$40,000,000 a year, I believe; I have not the exact figures.

Secretary TAFT. It was \$36,000,000 imports and \$33,000,000 exports last year.

Senator NEWLANDS. How much of that has the United States now?

Mr. LOWENSTEIN. It has about \$6,000,000, I believe.

Senator NEWLANDS. Do you think if this tariff concession is made we will get all this trade?

Mr. LOWENSTEIN. Well, I take it that eventually free trade will be established and that then we will get nearly all of it—say, at least 80 per cent of it, which would be about \$28,000,000—but do

not forget the fact that immediately upon your taking down the tariff barrier against these Islands the trade of this country will increase enormously. Our industries will develop; the Islands will produce more, their purchasing power will increase, and the market for American goods in these Islands will be very much more than it is at present. I think that the exports to these Islands from the United States would double in less than no time; I should say they would double in five years. These people adapt themselves very quickly to American goods; I have been here five years and I have noticed that.

Senator NEWLANDS. Let me ask you this: Assuming that we get \$28,000,000 of the present imports of this country, about what would be the profit on that \$28,000,000 to the merchants of the United States?

Mr. LOWENSTEIN. Well, that is hard to say. Those articles exported by the trusts would yield more than the products of the farm, such as wheat, oats, etc.

Senator NEWLANDS. Can you form any idea what it would be—10 or 15 per cent?

Mr. LOWENSTEIN. I should say 20 per cent.

Senator NEWLANDS. That would make \$5,600,000. That would scarcely offset the \$7,500,000 paid by the American consumers?

Representative COCHRAN. Oh, well, let's not thresh that old straw over again; we can do that back home.

Secretary TAFT. I have no question to ask the gentleman, but I met a gentleman here who told me that he had been investigating the sugar question in the Islands and had given three or four months' study to it. He is present in the room, and I suggest that he be called to give his views upon the subject. I understand that he has been making the investigation for the purpose of advising the beet-sugar interests in the States as to the facts. Now, I suggest that he might give us his views. I do not know whether he would object; of course, if he would, the committee would not probably desire to call upon him, but I suggest that this gentleman be given an opportunity to present his views.

Mr. AARON GOVE. I thank you very much, Mr. Secretary Taft. I am not here for the purpose of testifying. I am here as a free lance. I have been doing a little investigating here, but I am not ready to make any statements as yet. I have been greatly interested in a good many things I have seen here. I am, first,

a schoolmaster, and am largely interested in the education in the Philippines; and as a secondary measure, I have asked some questions about agriculture, especially hemp and sugar, but I am not in condition to make any sort of report. I know less now than I did a week ago; I know much less than I did two days ago. I have been much interested in this discussion, and when I have had time to digest what I have heard I should be glad to be given the privilege of being heard, but at the present time I am not ready to make any statement.

Secretary TAFT. Well, I only desired, if it is possible, to have all the evidence here on both sides brought forth, so that we can examine and weigh witnesses. If the gentleman is not able to testify, I do not want to press him. I should like, if possible, to bring before the committee all the facts available.

Representative GROSVENOR. I should like to ask Mr. Welborn if there is any disposition on the part of the farmers, especially the sugar growers in the Islands, to have the bar against imported labor taken away, or whether they would prefer to continue the employment of Filipino labor, and prefer that rather than making use of another kind such as we have heard of?

Mr. WELBORN. I have not tried to sound the sentiment upon that point here. However, so far as I have observed, the people here are rather afraid of the Chinese; they rather fear that if the Chinaman is brought in as a laborer he will not continue to labor, but will soon be a merchant. So far as I am concerned, I am not so discouraged with Filipino labor as many people seem to be. I believe the planters here have followed poor methods and gotten low results in their plantations so long that they have been starved into the necessity of starving their labor, or nearly doing so—that is, paying such low wages that they can not get labor. I am sure that with a reasonable advance in wages you can get a reasonable amount of labor. I am particularly hopeful for the coming generation of Filipinos. They seem to learn very rapidly and to develop their muscles and acquire a respect for labor. I am very hopeful that the young men and boys that we have now in the schools will be a great improvement over any labor we have had before. The schools here are the biggest things we have in the Islands to-day. We have something like 400,000 pupils in the schools to-day, and they learn very quickly and attend very punctually, I understand.

The CHAIRMAN. Have you any manual-training schools?

Mr. WELBORN. Yes, sir; we have some, and there is quite a good deal of agricultural work and school gardens in all the provinces, and the people are taking a great deal of interest in this work. Really, I feel that the Agricultural Bureau can not do its best work in spreading information until the education of the people progresses a little further. These schools will be a great means of imparting better methods to the people.

Representative COCHRAN. I have been somewhat mystified by some of these statements as to labor. Why should there be a shortage of labor in the Philippines?

Mr. WELBORN. Well, I think it is largely due to the low wages, and these in turn are due to the fact that the planters can not pay higher wages owing to poor methods, misfortunes, and low prices.

Representative COCHRAN. Well, there is no lack of human hands, is there?

Mr. WELBORN. No; there is not, but there is lack of human muscle and industry.

Representative COCHRAN. Well, we can start here. There is no lack of human hands, if they can be made effective.

Mr. WELBORN. That is true.

Representative COCHRAN. It is not the question of getting men so much as making the men effective? Now, is it not a fact that for more than three hundred years the government of these Islands has been such that the productive efficiency of labor was discouraged by the onerous and practically confiscatory taxation which was maintained by the government?

Mr. WELBORN. Yes, sir; it must have been true, if history can be believed.

Representative COCHRAN. You have, practically, then, a condition of industrial demoralization. Now, from your observation, have you any doubt that under favorable conditions this labor could be greatly improved and encouraged?

Mr. WELBORN. I believe so, and I believe that the man who would teach these people to take care of themselves a little better and feed them better and pay them better would get very much better results. These people do not know how to take care of themselves or to preserve their health; it is a big task, teaching them, and it would be a gradual process, but I think much can be done in that line.

Representative COCHRAN. The labor is very primitive, I understand, and yet the Islands have 7,000,000 people who are supported by this labor which is almost barbarous in its simplicity. The question is, then, how to obtain the capital and means of reënforcing the industrial efficiency of these hands?

Mr. WELBORN. Yes, sir; that is the question, as I see it.

Representative COCHRAN. They can not get plows, machinery, etc., without capital?

Mr. WELBORN. No, sir; and there is a total lack of improved agricultural machinery in these Islands. If capital were brought into these Islands for those purposes, there is no doubt that there would be a great increase.

Representative COCHRAN. Now, your suggestion here to abolish the tariff on these particular articles going into the United States is to stimulate production in the Islands and therefore encourage capital to engage in agricultural enterprises here, and the more production increases the more successful you are.

Commissioner WORCESTER. Will you state what your practical experience has been in the use of Filipinos as laborers?

Mr. WELBORN. Well, we have never employed labor by the thousands, as they do on the sugar plantations of Hawaii, but we have tried native labor by the hundreds in at least two places, and we have always gotten it by paying 50 to 60 centavos per day. In the Island of Negros there is much malaria and sickness, and one reason, I think, is that the people do not know how to take care of themselves. I should try to teach these people to feed themselves better if I was running a large estate there, and to care for themselves. It would greatly increase their efficiency; but we have always been able to get all the labor we wanted by paying a little better wages than was usual.

Governor-General WRIGHT. If you had a largely increased demand for labor there, could you find it?

Mr. WELBORN. Well, my own opinion is that we would possibly have to go up to 75 centavos a day to get a large number of laborers of the best class and hold them steadily.

Representative COCHRAN. Would not a few good plows and the means of propelling them add greatly to the efficiency of the farm labor?

Mr. WELBORN. Yes, of course, if you use judgment in selecting such plows as the people can use successfully.

Secretary Worcester asks me to state how well we have succeeded in getting natives to use large plows—gang plows. Now, with more superintendence than we have in the United States we have taught natives to run gang plows very well. They do it in a first-rate manner, but lack somewhat in judgment and need more foremen than are necessary in the States.

Secretary TAFT. Mr. Welborn, can you give a statement as to the experience with labor in the hemp fields and the cost of labor there?

Mr. WELBORN. I know that in the hemp fields labor has become very high. There has not been labor enough to strip the hemp. An average day's work is to strip 25 pounds of dry hemp, by the method shown on the float which passed the reviewing stand in the parade yesterday. I say 25 pounds is an average day's work. Only one man in ten is strong enough to strip hemp at all; it takes a strong man to do it, and one whose muscles are well developed. Therefore, in order to get it done they have to pay half the hemp. A man stripping 25 pounds of hemp would make ₱3 about. Sometimes an extra good man can strip 40 pounds, and he would make ₱4 or ₱5 a day.

Vice-Governor IDE. What is the relative importance of hemp, sugar, and tobacco in the production of the country?

Mr. WELBORN. Well, I believe about 65 per cent of the whole is hemp; then comes copra, and then sugar and tobacco. Tobacco is a minor export as compared with the others. Sugar and copra are about equal. However, there is quite a good deal of sugar used in the Islands. Practically all of the hemp is exported.

Secretary TAFT. Well, in considering the question of the spread of the sugar industry, the profit to be derived from the hemp industry must cut some figure—is not that case?

Mr. WELBORN. Certainly, because you can not take labor from the hemp fields. The only American capital which has gone into agricultural enterprises in the Philippines has gone into hemp. You could not take any of this labor out of the hemp fields and use it in cultivating sugar.

Senator FOSTER. Mr. Welborn, if the duty was removed from sugar and from tobacco, do you think the people of the Islands would go into sugar at the expense of the other industries of the Islands, in preference to raising hemp, cocoanuts, etc.?

Mr. WELBORN. No; they could not go into it at the expense of

hemp. Hemp is like an orchard; it stays there after you have put it in; it is like an apple orchard. Cocoanuts are the same; they last a hundred years. Nobody would want to cut down a grove of cocoanut trees. Hemp is also permanent; all you have to do is to gather the leaves each year. So sugar could not encroach upon these industries. Every Filipino here would also tell you that sugar will never encroach upon rice, because rice is grown upon land which they say they can not grow good sugar upon.

Secretary TAFT. I ask that Colonel Hill be permitted to cross-examine the witness.

Colonel HILL. You have been through the sugar plantations of the Islands yourself?

Mr. WELBORN. Yes, sir.

Colonel HILL. And during all seasons of the year?

Mr. WELBORN. Yes, sir; more or less.

Colonel HILL. In the cultivation of sugar cane, you say they never use anything except the tops in planting?

Mr. WELBORN. No, sir.

Colonel HILL. When you prepare your fields for planting, how deep do you plow?

Mr. WELBORN. I don't know about that; they have to plow the land three to five times and I suppose go 4 or 5 inches. We have a great deal of Johnson grass, Bermuda grass, and nut grass, but they are minor pests as compared with the other grasses we have. They are much worse than anything you have in Louisiana. The native plow is a very crude affair, and a man takes a carabao and scratches over the ground, probably going about an inch deep in the first operation. If he goes over the ground three times, he will get an inch deeper each time. If he goes over it five times, I should say he would get about 5 inches deep.

Colonel HILL. Do you not think they would average more than 5 inches deep?

Mr. WELBORN. No, sir; I think not.

Colonel HILL. What other instruments do they use for cultivation besides the plow?

Mr. WELBORN. Well, nothing at all, except the simple little plow. Nothing but that, except when they are clearing off these heavy grasses; then they use a cane hoe. The grasses are very troublesome; that is one reason why it takes a man to cultivate one hectare of land here, whereas in the States he can cultivate ten or twenty times as much.

Colonel HILL. What is the last operation?

Mr. WELBORN. The last thing is to drag up dirt with hoes from the middles and heap it up in the drill to cover the grass and to make ditches out of the middles to stand our wet season.

Colonel HILL. Now, in order to have a hectare of cane cultivated by one man, how many carabaos are necessary?

Mr. WELBORN. Well, two carabaos are necessary to keep a man busy—one in the mud wallowing while the other is in use. They are changed about once every hour. A man should have an extra carabao; he can not work them steadily.

Colonel HILL. Is there any scarcity of hands when the grinding season begins?

Mr. WELBORN. Yes, sir; they get labor from the other provinces during that season.

Colonel HILL. How many tons of cane would be cut by one of your workmen?

Mr. WELBORN. I could not say about that. Nobody here weighs cane.

Colonel HILL. Have you ever made any estimate as to the tonnage per acre?

Mr. WELBORN. Yes, sir; it has been my opinion that the yield in Negros was about 2 tons of sugar to the acre; that would require 20 tons of cane under the methods here. But when the census report came, however, I found that in 1902 they made only 2,800 pounds to the acre in Negros, and that was a better year than we have had since, so I must reduce my figures.

Colonel HILL. I understand you to say that there is no explanation of the necessity of having cane replanted year by year?

Mr. WELBORN. Well, I would not make so sweeping a statement. In some places in Negros they do get one ratoon crop, but never more. The third crop would not pay for the gathering.

Colonel HILL. Is that the practice throughout Negros, or on the coast only?

Mr. WELBORN. Well, the lands are poor on the coast; they get better as you go inland. They do not get a ratoon crop on the coast lands at all; that is only done upon the new and fresher lands farther inland.

Colonel HILL. You never get more than one ratoon crop?

Mr. WELBORN. Never to my knowledge; everybody here agrees upon that.

Colonel HILL. Have you visited the Island of Negros yourself?

Mr. WELBORN. Yes, sir; three or four times.

Colonel HILL. What is considered the dry side of Negros—Occidental or Oriental Negros?

Mr. WELBORN. Well, I have never been in Oriental Negros; I do not know enough about that. There is no sugar grown in Oriental Negros. The conditions are about the same on both sides of the island; however, I should say one side is as dry as the other.

Colonel HILL. Why is there no sugar grown in Oriental Negros?

Mr. WELBORN. Well, I do not know; probably it is poor land; in fact, I have been told that the land over there is poor.

Colonel HILL. Is that due to lack of water?

Mr. WELBORN. Possibly so, but I rather think it is due to the fact that the land is not fertile; I have heard so.

Colonel HILL. Have you never heard it compared with Hawaii as being similar to the dry lands in Hawaii?

Governor General WRIGHT. My information is that there are no arid lands in the Philippines. The northeast monsoon affects the lands during one half of the year and the southwest monsoon during the other.

Commissioner WORCESTER. There are no arid lands in the Island of Negros. The rainy season comes at opposite times on the two sides. However, there is a small district near Bais, in Oriental Negros, where cane is grown and where the conditions are about the same as at Bacolod. There is no irrigated sugar land in the Philippine Islands, and never has been.

Mr. WELBORN. As proof that it is not arid, there is a good deal of hemp grown there.

Commissioner WORCESTER. One reason why there is more sugar in Occidental Negros than in Oriental Negros is that in the latter there are large amounts of timber land. The cost of clearing is very high—in fact almost prohibitive. The last time I was in Oriental Negros, some thirteen years ago, there were very extensive forests to the east of the mountains between Bais and Dumaguete.

Colonel HILL. In regard to the expected return to be made to the United States by reason of the remission of duties—that is, by the increase of trade to the extent of many millions—what do you mean by that?

Mr. WELBORN. Well, I had in view the United States increasing her exports of cotton goods, iron products, food stuffs, etc.

Colonel HILL. Well, do you know whether, in the Philippine Islands, any effort has been made on the part of the American manufacturer to find out the style of article desired by the Filipinos?

Mr. WELBORN. Well, I believe that to be a great difficulty with many of them.

Colonel HILL. They are following the same practice here that they did in Cuba?

Mr. WELBORN. Yes, sir; they think that the American style is the best in the world. I think that they should begin to study the wants of the Filipinos, so as to be ready to extend their trade here by 1909, when the ten years' clause of the treaty of Paris will have expired and the bars can be put up against foreign countries.

Colonel HILL. In regard to plows; have you ever tried to introduce the "Fowler" plow from England?

Mr. WELBORN. No, sir.

Colonel HILL. Do you know what effect deep plowing of the land would have in producing rattoon crops?

Mr. WELBORN. I became interested in that subject this year and had one piece of cane land trenched 18 inches deep. I have a standing reward of \$5 for anyone who can show me the trenched land from that plowed 5 inches deep, by the growth of cane. Nobody has gotten the reward. The deep plowing seems to be no better than the shallow plowing.

Colonel HILL. When was that done?

Mr. WELBORN. In December, just before planting.

Colonel HILL. You do not know whether that would produce a rattoon crop or not?

Mr. WELBORN. No, sir.

Senator NEWLANDS. Mr. Welborn, in your observation of the agricultural holdings of the Philippines, have you noted whether the land is held in very large estates and leased to tenants or whether it is held in small holdings and cultivated by the owners?

Mr. WELBORN. Well, it is in all sorts of ways. In Pampanga I believe the prevailing system is to have tenants and divide the crop—give each man a tract of land and have him cultivate it and then divide the proceeds.

Senator NEWLANDS. That is the case with sugar lands?

Mr. WELBORN. Yes, sir.

Senator NEWLANDS. Will you please specify what the rule is as to large or small holdings of the different classes of agricultural lands, sugar, tobacco, and hemp?

Mr. WELBORN. Well, so far as I know and believe, there are two extremes. There are perhaps 10 per cent of what you would call large estates, and then 10 per cent of medium-sized estates, and the balance very much split up, so that the average-sized farm in the Philippines is about 6 acres, and 45 per cent of the farms is cultivated. The average-sized farm in the Philippines is the smallest of any country I have ever heard of.

Senator NEWLANDS. Now you suggest that a corporation should be allowed to own 5,000 acres for a sugar estate. How many workmen would be needed on such an estate?

Mr. WELBORN. I do not know, because I have never run a plantation of that size.

Senator NEWLANDS. You estimate one man to the hectare, do you not?

Mr. WELBORN. That is the way they work now; but if I had that plantation and one man did not work more than a hectare of land I would get out of the Islands.

Senator NEWLANDS. Is it your understanding that a corporation having 5,000 acres would employ 3,000 men? How many would be needed on an estate of that size in Hawaii?

Mr. WELBORN. The Hawaiian reports never make statements upon that point. They say how much it costs to plant, cultivate, and grind the cane, but they never make a statement as to the number of hands.

Senator NEWLANDS. How many men would you expect to employ on an estate of that size?

Mr. WELBORN. It would be a mere guess; I could not say.

Senator NEWLANDS. Well, the purpose of my question is this: My observation in the Hawaiian Islands has been that there is a very large population attached to each estate—a large number of Japanese and Chinese—who occupy small villages upon the estates. Now these men have no interest in the soil; they are employed there in a capacity that does not train them for the duties of citizenship. Now, with our plans for these natives—the plans we have for bettering them—I ask you whether, were we to permit these large plantations and large numbers of laborers attached to the soil, we would develop them in the duties of citizenship and in

their capacity for self-government—and let me call your attention to the fact that for every laborer employed you will have a wife and a family of three or four at least—so for 2,000 laboring men you would have a population of 7,000 or 8,000 people.

Mr. WELBORN. My own view is that sometimes you have to take the least of two evils. These people cultivate land now in smaller parcels than I have ever heard of elsewhere. I have inquired particularly with reference to investment, and I have not found people particularly anxious to sell; they seem to want to hold on to what they have. They have gotten an idea, I think, that we Americans have got a lot of money, and as soon as anyone talks about purchasing their prices go up.

Secretary TAFT. I should like to ask, if a company came in here to manage 5,000 acres and did not lift up and improve their laborers and treat them with consideration, whether they might not count on losing money?

Mr. WELBORN. Well, I certainly believe in that principle. I should certainly feel that I was putting money into my pocket to care for them properly and feed them well, with a view to making a profit in the long run. I would teach them means of keeping well and of improving themselves. Whether every proprietor would feel like I do upon that point, I do not know. I am certain that you would not be able to buy up the whole country, however. These people hold on to their lands.

The CHAIRMAN. Any further questions?

Representative GROSVENOR. Mr. Chairman, I move that the meeting now adjourn until 3 p. m. to-morrow afternoon, and that we then take up the tobacco question.

The CHAIRMAN. It is moved that we adjourn until 3 p. m. to-morrow afternoon; if there is no objection, adjournment will be taken until that hour.

(The committee then adjourned until 3 p. m. to-morrow, August 9, 1905.)

TOBACCO.

MANILA, *August 9, 1905.*

The committee convened at 3.30 p. m., pursuant to adjournment.

The CHAIRMAN. What is the pleasure of the committee?

Representative CURTIS. I suggest that since we have finished hearing the sugar men, the tobacco men now be given an opportunity to be heard.

The CHAIRMAN. If there is no objection to that, the suggestion of Representative Curtis will be considered as a motion and as having carried.

Mr. P. Krafft, representing the firm of Baer, Senior & Co., then took the floor.

STATEMENT OF MR. P. KRAFFT, OF THE FIRM OF BAER, SENIOR & CO.

Mr. KRAFFT. I have prepared a paper which I would like to read to the committee.

Representative CURTIS. Will the gentleman please give his name and business?

Mr. KRAFFT. My name is P. Krafft. I am of the firm of Baer, Senior & Co. We are general merchants, planters, and manufacturers.

Mr. Krafft then read from his paper, as follows:

When discussing in Washington the proposal of law to reduce the Dingley tariff on Philippine sugar and tobacco to 25 per cent, the opponents in refuting the arguments brought forth in favor of a reduction laid special stress on the following points:

A menace would be constituted to the home industry by the following:

That the tobacco cultivation of the Philippines would be stimulated and such enormous quantities of good and fairly good leaf tobacco would be grown to form a serious competition to the cultivation in the United States.

That the Manila cigars could be laid down at such a low price that an enormous demand would spring up to the detriment of not only the home cigar makers but also to the cigar-leaf-producing farmers. Both arguments can be proven to be exaggerated by the following facts:

(1) CULTIVATION OF LEAF TOBACCO.

I have drawn a map showing the actual regions under cultivation, the various colors representing the different grades of the quality. I also marked those regions which some time ago were under cultivation and which now are deserted on account of want of demand. A single glance at the map will give ample explanation that the fear in this direction has no reason to exist. It is an absolute fact, which can not be refuted, that all tobacco grown on the seashore or in the vicinity of it is of bad burning, be it grown

here in the Philippine Islands, Sumatra, or in Java. I marked the bad quality, which is of no use, in blue. This is tobacco which burns black ashes only, and which is very inferior in quality.

The map which I have prepared is over there [pointing to a map which had been placed upon the rostrum].

(The map submitted by Mr. Krafft was one with the tobacco-growing sections shown in different colors to indicate where those sections were located and the quality of the leaf grown in each region. The different sections were colored in accordance with the following schedule:

Red: Section growing tobacco of good quality.

Yellow: Tobacco of satisfactory quality, a small proportion being fit for cigars.

Green: Tobacco of inferior quality and doubtful burning; not fit for cigars.

Blue: Tobacco of bad quality, bad burning; not fit for cigars.

Blue inclosed by a circle: Tobacco of bad quality; very inferior; cultivation discontinued last year.

The regions colored in accordance with the above schedule are as follows:

Red: A strip along the Cagayan River in Isabela Province down to a little north of the Cagayan boundary.

Yellow: Along the Cagayan River from a little north of the Cagayan boundary line down to Amulung and along the Chico River to a little below Santo Niño—all in Cagayan Province.

Green: Along the Cagayan River, from Amulung to a little below Nasiping, Cagayan Province; also small sections in the interior of the Provinces of Ilocos Norte, La Union, Pangasinan, Nueva Ecija, and Cebu.

Blue: Small sections in the Provinces of Abra, Ilocos Sur, and La Union along the seacoast, and along the west coast of Cebu.

Blue inclosed in a circle: Small sections in Batangas, Capiz, and Romblon.)

Representative COOPER. Mr. Chairman, will you permit me to suggest that the gentleman point out on the map and explain these different sections devoted to tobacco growing?

Mr. KRAFFT. Yes, sir; here is the map of the Island of Luzon, showing where lands are used for tobacco culture, the quality of the leaf being indicated by the coloring. You will notice that the only section where a good quality of leaf tobacco is grown is in

Cagayan Valley, in this section here [pointing to the section colored in red]. Everywhere else the tobacco is of more or less inferior quality, while in Batangas it is so poor that the cultivation was abandoned last year.

Representative COOPER. About how many acres devoted to this inferior quality of tobacco is represented in Batangas, which you say was abandoned last year?

Mr. KRAFFT. A very few acres; in former times they produced from 5,000 to 8,000 quintals.

Senator LONG. Is the land shown on that map as colored the only land upon which tobacco is grown?

Mr. KRAFFT. Yes, sir; there are no other lands, except those I have marked. This shows that the area under cultivation in the Islands is very small, as you will see.

Mr. Krafft again reads from his paper, as follows:

The area marked in green shows a somewhat better quality, but still remains unfit for making cigars, and only those regions which are marked in red and yellow represent a quality fit for cigar leaf.

Looking over the map, there is only the Island of Luzon, and particularly the valley of the Cagayan River, which produce this tobacco. All other islands show a poor opportunity to raise good tobacco. As far as Mindanao is concerned, I am not able to give reliable information. I can only say that in former years tobacco was brought to Manila from there of an inferior quality. It therefore results that only the Cagayan Valley comes into the question. As the production there only averages 20,000,000 pounds a year, it must be said that in comparison to the cigar leaf produced in the United States, which amounted in 1904 to the respectable number of 140,000,000 pounds, it can not influence the price in the United States. There is still another fact which gives force to my foregoing assertion. The tobacco grown in the Cagayan Valley is sometimes of very different quality, according to the relations of dry and humid weather which exist during the growing. If the weather remains too dry during the months from December to April, without rainfall, the tobacco leaf turns out narrow, small, thick, and charged with gum and nicotine. Such tobacco is only fit for cutting purposes for our home cigarettes and for chewing tobacco, and can only be used for cigar making after the lapse of several years. It is, moreover, a fact that out of four crops only one is suitable for cigar leaf, and another fact is that too heavy rains

produce a leaf which is neither good for cigars nor for cigarettes, as it is completely washed out and exceedingly liable to get worm-eaten and moldy. Moreover, it must be mentioned that tobacco can only be grown during the months of December to April on account of the succeeding inundations of the Cagayan River during the rainy season, which covers the immediate banks of the river, leaving a rich deposit of vegetable manure. It can be proved that the tobacco grown in the upper fields, which are never subject to inundations, shows a poor quality. There are still other arguments to show that the cultivation of leaf tobacco in the Cagayan Valley has to meet with the consequences of typhoons and inundations setting in before the crop is harvested. It must also be stated that the greater portion of the land fit for cultivation is already under cultivation.

Mr. KRAFFT. Now, gentlemen, if you would like, I will show you some of the different classes of leaf tobacco grown in these Islands; I have brought samples of the different qualities. This [holding up a bundle] is a poor quality.

Representative COOPER. How much a pound does that class of tobacco bring?

Mr. KRAFFT. About 9 centavos.

Senator LONG. To what countries is it exported?

Mr. KRAFFT. It is not exported; it is consumed in Manila. This grade is too poor for export to Europe or elsewhere; it is all consumed locally.

Senator LONG. What do you use it for?

Mr. KRAFFT. We mix it with other grades of better quality and make cigarettes out of it.

(The speaker here submitted to the inspection of the visitors a number of different grades of tobacco leaf, which were inspected by a number of the party.)

Mr. KRAFFT. This piece here [exhibiting a bundle] comes from the Province of La Union; it is a poor quality; if you wish to see how it burns, I will light it.

The CHAIRMAN. Light a piece of it and let us see.

(The speaker ignites a leaf.)

Mr. KRAFFT. You will notice a very disagreeable odor.

The CHAIRMAN. It smells something like a Wheeling stogie.

Representative COOPER. What do you use that kind of tobacco for?

Mr. KRAFFT. On account of its having a poor leaf we send it to the countries having tobacco monopolies in Europe, such as Austria.

Representative COOPER. What does it sell for?

Mr. KRAFFT. About ₱10 or ₱8 per quintal.

Representative PAYNE. Have you any specimens of the best leaf produced in the Islands?

Mr. KRAFFT. Yes, sir; I have some here [exhibiting a bundle]. This is Isabela leaf; it is the best we grow.

Representative PAYNE. What does this cost a pound to produce?

Mr. KRAFFT. We are selling it for ₱60 or ₱70 per quintal.

Representative PAYNE. What percentage of the crop is suitable for wrappers?

Mr. KRAFFT. Only a small percentage; sometimes when the crop is very "fat" there is no wrapper at all. I think perhaps 5 per cent turns out in such a way that we can use it for wrappers—yes, 5 per cent. That would be a very satisfactory result.

Representative PAYNE. Is there any part of it suitable for binders?

Mr. KRAFFT. Yes, sir; for binders and fillers.

Representative PAYNE. You say only about 5 per cent is suitable for wrappers. Where do the binders or fillers go for consumption?

Mr. KRAFFT. Here in the Islands; the greater portion is sold here.

Representative PAYNE. Some part of it goes abroad?

Mr. KRAFFT. In former times, yes; but not now. Now they do not want any of our tobacco except of the cheapest grades.

Representative PAYNE. To what countries was it exported before?

Mr. KRAFFT. We sent some to Holland, to Belgium, and other countries. If you will pardon me, I will continue reading my statement.

Mr. Krafft then read from his paper as follows:

(2) PRODUCTION AD INFINITUM OF MANILA CIGARS.

As a consequence of the facts shown before, the manufacturers' supply of suitable leaf is limited, therefore, the principal element being relatively scarce, the extension of cigar making is also limited. Moreover, it must be borne in mind that cigar making can not be learned from one day to the other. The cigar makers of Manila enter the factory as apprentice boys, and are gradually taught the profession, beginning with stripping the leaf. It requires many

years of daily occupation to have the fingers drilled in such a way as to be able to make a perfect cigar. In the recent Philippine census the number of cigar makers in the Philippine Islands is given as about 5,000. One cigar maker can turn out about 30,000 cigars yearly, taking as an average 600 per week, and taking the 5,000 men as now existing there would result about 150,000,000 cigars a year if all would or could make better-class cigars.

In order to do away with misunderstandings I should like to mention that there exists a divergence of opinion with experts in the United States and here in the Philippine Islands about the quality of cigar leaf, especially as far as wrapper is concerned. What is styled as wrapper in the United States is quite a different thing from what we used to call it here. Our cigar industry has not a necessary quantity of suitable leaf at its disposal on account of the thickness and bad color of the raw material, and often is compelled to fall back on leaf which in the United States would only be employed as bunches or fillers. The wrapper leaf which is exported hardly merits this denomination. Exports to Holland and Belgium, which countries in former years, before the appearance of the Sumatra tobacco, almost exclusively used Manila tobacco for this purpose, have now come to a standstill, and there is now only wrapper leaf exported to Spain and other countries having tobacco monopolies. Moreover, I wish to call attention to the fact that in the United States, as well as all over the world, the consumer has a marked tendency to smoke light-colored cigars, and it is a fact that light-colored wrappers are extremely scarce here in the Philippine Islands. It forms another proof that the fears entertained that Manila cigars with their dark color would probably constitute a serious menace to the home industry are groundless. Sumatra tobacco is imported in large quantities into the United States, which in 1901, as per Bulletin No. 28 of the United States Department of Agriculture, amounted to 6,250,000 pounds, valuing \$5,600,000 and being 95 per cent of all the wrapper tobacco imported into that country, the average price of 1 pound being about 90 cents. As \$1.85 per pound duty is paid and it requires 1 to 2 pounds of good wrapper to cover 1,000 cigars of average size, the outlay of a cigar manufacturer for this item is \$3.70 for duty and for raw material \$5.50.

For covering 1,000 cigars with Philippine wrappers a cigar maker would probably require 8.10 pounds at least. Taking 8

pounds and considering the reduction of 25 per cent on duty, he would pay \$11.10 for duty and for raw material \$3.20, making a total of \$14.30.

In case of a reduction of 75 per cent we would still pay \$3.70 for duty and \$3.20 for raw material—altogether, \$6.90—so that the American manufacturer would prefer to buy Sumatra leaf, not only for reason of calculation but on the basis of having a light wrapper of uniform color; while employing Philippine leaf he is at a great disadvantage.

The CHAIRMAN. With reference to the number of cigars made by a man in a week—what wages do you pay?

Mr. KRAFFT. We pay wages according to the size of the cigar made and the number a man can make; it depends upon the cigar maker's ability.

The CHAIRMAN. You pay the cigar makers by the piece, then. How much do they earn?

Mr. KRAFFT. Yes, sir; we pay them by the piece. A man will earn ₱8 or ₱10 a week or more; it all depends upon his ability.

Representative CURTIS. That is \$4 or \$5, gold, a week?

Mr. KRAFFT. Yes, sir.

Representative HILL. If you can buy Sumatra wrappers at \$5.50 and Philippine wrappers cost you so much, how is it that you don't use Sumatra wrappers? According to your data you figure that Philippine wrappers cost \$6.90 and Sumatra wrappers \$5.50. Why don't you save \$1.40 and use Sumatra wrappers?

Mr. KRAFFT. Well, there is a reason for that. We have tried to use Sumatra wrappers, but have not made a success of it. The Sumatra leaf is a much more delicate leaf than the Philippine tobacco, and our cigar makers are accustomed to using a strong leaf; and in handling the Sumatra wrapper, unless a man is very careful he destroys about 50 per cent of it or renders it unfit for use as a wrapper. One pound of Sumatra wrapper ought to cover 1,000 cigars, but I have made trials of it here and have had men ask me for 6 pounds to cover that amount, due to the fact that they spoiled so much of the leaf.

Representative HILL. How much Philippine wrapper do you use for 1,000 cigars?

Mr. KRAFFT. It depends upon the quality; the tobacco that we use for wrapper has so many rents and holes in it that sometimes it will take 8 or 10 pounds of it to cover 1,000 cigars.

Representative HILL. Take the ordinary Isabela leaf?

Mr. KRAFFT. Perhaps 4 pounds would be enough to cover 1,000 of the small-size cigars; sometimes at least 6 or 7 pounds are used. In this connection I would invite you to hear the testimony of Mr. Guido, who represents the Germinal Tobacco Company and is a manufacturer; he can give you more accurate information upon these points. However, I wish to say something more in connection with what I have read; there are some few additional points which should be mentioned. The methods used in growing tobacco upon the plantations owned by some farmers are very antiquated and exceedingly unbusinesslike; nevertheless they can not be improved by reason of the fact that the native sticks to his old methods and absolutely refuses to make use of better ones. Instead of having the work systematically done by performing wholesale the several processes of plowing, drying, and fermenting, and thus realizing not only a greater economy and larger output but also a better quality by the easier supervision thus possible—instead of this each family has its own piece of land, its own drying and fermenting sheds, and does its work from beginning to end in its own fashion, rendering the supervision of the expert employee a very difficult if not an impossible task. What can not be done in the estates is still more impossible with the independent native, who, left to himself, is incredibly careless and is producing a quality of leaf which is getting worse and worse from year to year and therefore less salable in the open market of the world. The per cent of tobacco grown on the estates is about 15 per cent of the whole output in the Cagayan Valley. This kind of wrapper [exhibiting a bundle of tobacco] would never have been produced under Spanish times. It would not have been permitted; it is due to the carelessness of the planter—to carelessness in the fields.

Representative HILL. Do they use fertilizers?

Mr. KRAFFT. No, sir; the fields are not fertilized. Another point of importance is the transportation from the place of production to Aparri, the seaport of the Cagayan Valley. During the dry season the Cagayan River upon which the tobacco is transported to market, often gets so low as to paralyze navigation; while, on the other hand, during the rainy season the current becomes so swift as to make navigation extremely dangerous on account of the many hidden tree stumps in the river. So far as I know it is impossible to cover this risk by insurance. The freight charged is very high, so that we pay for transporting tobacco from

Echague to Aparri ₱4.50 per bale of 2½ quintals, or, say, ₱18 per ton, while the rate from here to New York direct, per steamer, is about \$6, gold, in larger lots; in other words, it costs us more to bring freight from the tobacco fields in Isabela to Manila than it does to send freight from Manila to New York. However, the freight rates from Aparri to Manila have decreased somewhat during the last year, having gone down from 50 to 75 centavos per bale, or ₢3 per measurement ton. The transportation on the river inland, however, is very costly.

Representative PAYNE. The railroads will remedy that.

Mr. KRAFFT. Perhaps after some years, but it will be a number of years before we have railroads. Another thing which is a great obstacle is the insects which get into the tobacco. In the first place there is a small worm which attacks the leaf, and, unless great care is taken to carefully brush off the leaves every morning instead of an entire leaf we get one that is full of holes. Due to the carelessness of the natives in not properly caring for the tobacco, a great deal of the product is thus affected. In fact, I think that out of 200,000 quintals in the Cagayan Valley it would be impossible to get more than 10,000 or 15,000 quintals of entire leaves.

Representative PAYNE. I didn't hear all of your statement. Did you give the prices you make at the factories for manufacturing the different kinds of cigars?

Mr. KRAFFT. I can give those prices, but there is a technical man here who will be better qualified to do so.

Representative PAYNE. Well, if there is somebody else who will give the necessary information, that will answer my purpose.

Mr. KRAFFT. There is another worm which develops while the tobacco is in the drying shed and another kind while the tobacco is fermented; during the fermentation and while the tobacco is packed there is quite a different insect which attacks it—a kind of weevil, which develops inside the leaf. The extent of this weevil pest depends upon the quality of the crop; some crops are almost free from it, while other crops are always attacked by it, especially the crops which are washed out and are of poor color and weak; therefore unless the greatest care is used such grades of tobacco will arrive at the factories in Manila full of worms and insects. The new crop, of which this is a sample [exhibiting a bundle of tobacco], is one of these washed-out crops and is very poor tobacco. The 1900 crop was a very good crop; it was not worm-eaten.

Representative OTJEN. Suppose the tobacco is all right and you

manufacture it into cigars; is there an insect that afterwards gets into the cigars unless you wrap them in tin foil?

Mr. KRAFFT. No, sir; the insect is in the leaf itself; it does not come from the outside; it develops inside the leaf. Here is the new crop of 1905 [exhibiting a bundle]; this is another specimen of a "fat" crop. Here is a sample of a washed-out crop [exhibiting another bundle]. We had in the beginning on that crop very dry weather, and then when the crop was about to be harvested heavy rains fell and washed it out; this tobacco will prove very bad; it will be useless either for cigars or cigarettes. This other will be ready for cigarettes in two years and for cigars in eight years.

Representative OTJEN. Regarding this insect you referred to, do you know whether tobacco raised in Kentucky, in the United States, is subject to the same kind of insect or not?

Mr. KRAFFT. I have heard of it, but I do not know the facts; I don't know whether they have the same thing there or not; it would be very interesting to know.

The CHAIRMAN. Does any gentleman desire to ask any further questions?

Representative HILL. What is the percentage of wrapper in Isabela tobacco, taking it as a whole—I mean good wrappers?

Mr. KRAFFT. I would not say that there are over perhaps 1 per cent good wrappers.

Representative HILL. What is that—1 per cent?

Mr. KRAFFT. Yes, sir; that is all that can be called good wrapper; this that I have here is not good wrapper.

Representative HILL. How can you afford to pay 40 cents a pound for tobacco that has no good wrappers in it?

Mr. KRAFFT. We are making cigars out of it. However, compared with the Sumatra cigars or cigars made in the States, this product makes a very poor showing; the lack of wrappers is a great trouble with us, and the Sumatra leaf is not used here, as I have already stated. The operators here can not handle it. Then, too, during the dry season it can not be used for the reason that it dries out and is very fragile; it is very expensive to endeavor to work it here. Another reason is that if you use the Sumatra wrapper in making cigars here, and the cigars are packed in a box during the dry climate we have in the dry season here, the wrapper gets torn or cracked open.

Representative COOPER. Can you tell about how many cigars are used in the Islands in a year?

Mr. KRAFFT. I think it is about 50,000,000.

Representative COOPER. Your maximum output would be about 150,000,000; that would leave 100,000,000 for export. To what countries do you export cigars?

Mr. KRAFFT. Our exports have greatly decreased, but we are still exporting to the East—to China, Japan, India, the Netherlands, and to Australia—but these exports have decreased greatly on account of the competition we have received from the German manufacturers. The German manufacturers use Sumatra leaf, with German tobacco for a filler which is neither bad nor good. He wraps up a very nice-looking cigar and sells it much cheaper than we can. The people in China want light-colored wrappers; this is true elsewhere also. These German manufacturers give them a light-colored wrapper; furthermore, it must be considered that the German manufacturers have no duty to pay. They import their Sumatra wrapper in bond and then ship their goods out when manufactured; they pay no duty upon this cigar leaf; that is a great advantage which we can not have here.

Representative PAYNE. What do these cigars sell for?

Mr. KRAFFT. They put this German cigar on the market there at 28 shillings per 1,000 for the Londres cigar, while we have to charge 44 to 50 shillings, and on top of that can not furnish them with light enough wrappers; they want a light-colored wrapper, so you see we are at a great disadvantage.

Representative HILL. What is the Londres cigar wrapped with?

Mr. KRAFFT. With Isabela and Cagayan leaf.

The CHAIRMAN. We will now hear the next gentleman.

Señor Justo Guido then presented a paper which was read by the interpreter, as follows:

STATEMENT PRESENTED BY JUSTO GUIDO, REPRESENTING THE GERMINAL CIGAR AND CIGARETTE FACTORY.

To the honorable the Secretary of War, the Representatives of the American people, the Governor-General, and the members of the Philippine Commission:

The arguments that would advise the necessity of the absolute repeal of the Dingley tariff on Philippine tobacco in order that this product converted into manufactured cigars might be introduced

into the markets of the United States of America upon a competitive basis as to price with similar articles of other origin having been exhausted by the gentlemen who have preceded me on the floor, I limit my remarks to supporting these arguments; but, in order to make clear and to demonstrate the representations made by the gentlemen who have spoken, I take the liberty, with your acquiescence, of adducing some figures that prove the impossibility of our cigars finding favor in the United States market with the Dingley tariff in force.

The principal districts producing good tobacco in the Philippines are Isabela and Cagayan, in the Island of Luzon. Of the tobacco from these districts of the crop of 1900, which was of the best quality, one of the lots purchased by the Germinal factory consisted of 7,932.75 quintals (806,000 pounds avoirdupois, in round numbers) of different classes, from first to fifth, costing ₱179,938.56. It was necessary properly to work up this article, on account of its good quality, and for this reason it was only used in July, 1905. From the date of the purchase to the date of manufacture the purchase value increased at this rate: Seven per cent interest for four years and nine months it was kept in the warehouse at the rate of ₱0.30 per quintal per year and fire insurance at the rate of 1 per cent per year; we must take into account that these 7,932.75 quintals of tobacco, after reassessment and classification, gave the following results: For wrappers, 584 quintals and 94 pounds (59,394 English pounds); for fillers, 3,453.83 quintals (350,727 English pounds), for cut tobacco (picadura), 2,821.29 quintals (286,489 English pounds); sweepings or waste having no application in any of the branches of the manufactures of the factory; 185.03 quintals (18,801 English pounds) of sweepings or waste resulting from the operations required in the manufacture of tobacco; 48.85 quintals (4,923 English pounds) of dust having no application whatsoever; 338 quintals of shrinkage or loss in weight noted when the tobacco was reweighed prior to its manufacture. As is logical, the decline in the value of tobacco, both for fillers and picadura, and the total loss resulting from waste and sweepings as well as from dust and shrinkage, affects the total suitable for wrappers and increases their price.

Moreover, the 584.94 quintals selected for wrappers are subjected to a further selection for the brands of cigars known as Perfectos,

Londres, and other common brands classified as first, second, and third classes. Of the amount mentioned of wrapper tobacco the results of classification gave 10 per cent for wrappers of first-class brands, 20 per cent for wrappers for brands of the second class, and 70 per cent for wrappers of brands of the third class. The same thing happens with regard to the leaf used for fillers, which has also to be classified in three distinct groups or classes, according to quality, in order to apply them to the different brands, the selection resulting in that 15 per cent were suitable for the first class, 25 per cent for the second, and 60 for the third; consequently the value of tobacco for wrappers for Perfectos increases to ₡182.50 a quintal (100 English pounds), ₡121.70 for brands of the second class, and ₡60.84 for ordinary brands; and for fillers of the three classes mentioned the resulting values are ₡80.87 for the first class, ₡53.91 for the second, and ₡26.95 for the third.

Finally, it must be taken into account that for each 100 pounds of leaf tobacco that can be used for cigar wrappers for Perfectos it is necessary to make a reduction of 25 per cent for stems and 10 per cent for waste in manufacture; so that the 100 pounds are reduced to 65, which is the net weight of the leaf that can be used. In the same manner, though in different proportion, the same allowances must be made for leaf for fillers, 25 per cent having to be deducted for stems and waste.

To give a concrete example, I will take as a basis 1,000 Perfectos in the manufacture of which enter 20 pounds of leaf tobacco for fillers and 7.69 pounds for wrappers, including allowance for stems and waste, for although it is true that the waste resulting from manufacture from the leaf used for wrappers as well as fillers is partly utilized for picadura (cut tobacco), its value is insignificant and scarcely affects the price of wrappers and fillers. If we add to the value of the tobacco that of other necessary materials such as boxes, paper, rings, tin foil for wrapping, paper for interior lining of boxes, interior and exterior labels, and general expenses of manufacture, the value per 1,000 cigars amounts to ₡58.92, as appears in the appended table.

These 1,000 Perfectos, contained in 40 boxes of 25 cigars each, are sold by the factory at ₡60.

Now, then, if to the cost price we add the amount for duties under the Dingley tariff, freight and other minor expenses of packing, cartage to ship, unloading and hauling to warehouse, etc., the value

of these cigars will perhaps be greater than similar Cuban brands, and in this case, on account of their inferior quality, they would not find favor in the markets of the United States of America.

TABLE No. 1.—*Leaf tobacco of the crop of 1900.*

REASSESSED FOR CLASSIFICATION AND PREPARATION.

Classification.	Isabela.	Cagayan.	Total.	Average price.	Value.
	Quintals.	Quintals.	Quintals.		
Wrappers.....	400.33	184.61	584.94	P60.86	P35,597.21
Fillers.....	2,300.81	1,153.52	3,453.83	29.32	101,288.34
Picadura.....	1,820.27	1,001.02	2,821.29	14.00	39,498.06
Waste.....	300.76	200.05	500.81	6.00	3,004.86
Sweepings.....	102.46	82.57	185.03	3.00	555.09
Dust.....	26.08	20.77	48.85	—	—
Shrinkage.....	.228	110	338	—	—
Total and average.....	5,180.21	2,752.54	7,932.75	22.68	179,938.56

INCREASE OF VALUE FROM NOVEMBER, 1900, TO JULY, 1905.

Classification.	Interest, 7 per cent per year for 4½ years.	Insurance, 1 per cent per year for 5 years.	Storage, P0.30 per quintal per year for 4½ years.	Total value in July, 1905.	Price per quintal.
Wrappers.....	P11,629.61	P1,779.86	P818.92	P49,825.60	P85.18
Fillers.....	33,089.27	5,094.12	4,835.36	144,302.09	41.78
Picadura.....	12,904.02	1,974.90	3,949.81	58,326.79	20.67
Waste.....	—	—	—	3,004.86	6.00
Sweepings.....	—	—	—	555.09	3.00
Total.....	57,622.90	8,848.88	9,604.09	256,014.43	—

Selection made of the above leaf tobacco for separation into three classes corresponding to similar groups of select cigars.

FOR WRAPPERS.

Selection in classes.	Proportion of selection.	Quintals selected.	Proportion of price.	Price per class.	Value per class.
	Per cent.				
First.....	10	58.49	6	P182.50	P10,674.42
Second.....	20	116.99	4	121.70	14,237.67
Third.....	70	409.46	2	60.84	24,913.51
Total.....	100	584.94	—	—	49,825.60

FOR FILLERS.

	Per cent.				
First.....	15	518.07	6	P80.87	P41,895.27
Second.....	25	863.46	4	53.91	46,557.99
Third.....	60	2,072.90	2	26.95	55,848.88
Total.....	100	3,453.83	—	—	144,302.09

Table of cost of production of 1,000 Perfecto cigars having an approximate weight of 20 pounds per 1,000.

Item.	Quantity.		Cost.
	Per cent.	Pounds.	
Leaf tobacco:			
For wrappers—			
Available	65	5	
Waste	10	0.77	
Stems	25	1.92	
Total	100	7.69	
Cost of 7.69 pounds, at ₱182.50 per quintal			₱14.08
Less 0.77 pound wastage available for picadura, at ₱20.67 per quintal16
Total cost of wrappers			13.87
For fillers—			
Available	75	15	
Stems and waste	25	5	
Total amount of fillers	100	20	
Cost of 20 pounds, at ₱80.87 per quintal			16.17
Total cost of leaf tobacco			30.04
Materials:			
Boxes for 25 cigars, 40, at ₱10 per 100			4.00
Rings, ₱1.05 per 1,000			1.05
Tin foil, 1 kilogram			2.50
Paper used as interior lining of boxes35
Labels outside and inside for 40 boxes, at ₱45 per 1,000 sets			1.80
Total for materials			9.70
Manufacture:			
Selectors of leaf tobacco30
Stemmers, 28 pounds leaf tobacco for wrappers and fillers26
Selection of leaf for wrappers30
Making, per 1,000			13.20
Putting on rings15
Wrapping in tin foil, per 1,000			2.50
Packers, per 1,00037
Sealing10
Total for manufacture			17.18
General expenses			2.00
Cost of total production for 1,000 Perfecto cigars			58.92

Señor EVARISTO PANGANIBAN, of Tagle, Isabela Province. Mr. Chairman, I have carefully read the paper prepared by Mr. Krafft upon the tobacco industry in these Islands, but I would like to ask a question with regard to this entire matter. Is it not true that the territory where this tobacco is grown is a part and parcel of the territory of the United States? If that is true, I consider that we should have the same protection as to tobacco as American-grown tobacco has.

Representative PAYNE. Will you ask him to give us some facts about the tobacco interests?

Señor PANGANIBAN. I can not furnish any facts.

The CHAIRMAN. Professor Lyon, of the Bureau of Agriculture, is here and would like to address the meeting.

**STATEMENT OF PROF. W. S. LYON, OF THE BUREAU OF
AGRICULTURE.**

Professor LYON. Gentlemen, I will tell you in advance that I have nothing to read in the way of a book; I have a book here because I have some figures upon it. I think it is rather too much to expect people who have traveled thousands of miles to listen to too many figures at once; these I have are for my own use; nor am I going to read any long or extended article upon the subject of tobacco. The subjects which I am largely concerned in are the conditions and possibilities of production of tobacco in the Philippine Islands. The statement was made in the memorandum just read, and also it is one that is generally stated, that tobacco of good commercial quality is not produced within 12 to 20 miles of the littoral of any country. That is a very general statement that I am inclined to doubt, however, as applying to the whole world. If it were true in all cases I am afraid that it would rule out the tobacco land of Porto Rico, as the tobacco raised there is raised under just such conditions. I am very sure that it would cut out a great deal of the famous "Vuelta Abajo" district of Cuba, which lies to the east of the city of Havana. I am sure that a great deal of that district lies between 10 and 20 miles of the seaboard. Also in Mexico there is tobacco grown within that distance of the coast.

Representative HILL. Do you know of any in Connecticut?

Professor LYON. No; I can't say that I do; the best regions in the Connecticut River Valley do not begin until you get 30 or 40 miles inland. However, in spite of the above exceptions, I wish to champion the other side of the question to the extent of saying that conditions in the Philippine Islands, as I have observed them and also from the experimental work done by the perhaps sometimes maligned Spanish Government here, the tobacco districts are such as to satisfy me that there is a good deal in this theory as to the growing of tobacco on the coast line in the Philippine Islands. If you take, for example, the Province of Batangas, the line which separates the country in which tobacco will grow from that in which it is a failure is very sharply defined, being located near the town of San Jose, which is probably 10

or 11 miles from the seaboard. In the Island of Negros the Spanish Government tried to grow tobacco on its experimental farm at La Granja Modelo, 12 miles from the seaboard, but their attempt was without success. They attempted it in Panay unsuccessfully; in fact, wherever I have been it seems to be true that tobacco is not grown in these Islands to any practical extent within 10 miles of the sea, and in some places farther inland. This same condition is also found in some of the islands in the Sunda Sea to the south of us. Why this should not exist in Cuba and Porto Rico and should exist here I can not tell you; it is one of those problems that has not been solved. It can not be told any more than it can be told about the abaca plant which grows here in the greatest abundance and will not grow in other countries and places where exactly the same conditions as to soil and climate prevail. I can not tell you why that is nor can I tell you why tobacco can not be raised here on the seaboard.

Now, gentlemen, if you will take a map of the Philippine Islands and draw a line of 10 miles in diameter along the seaboard around our 1,700 islands—I believe there are about that number—it would wipe out completely the whole number except nine, which would be the Islands of Luzon, Mindoro, Cebu, Samar, Leyte, Negros, Panay, Palawan, and Mindanao. If you take a width of 10 miles around the Islands you may have, of the smaller Islands of Bohol, Marinduque, Masbate, and Jolo, enough in the center to maintain a few Filipino pigs, who are not very fastidious as to the requirements of food.

Now, another point: If you were to eliminate this 10-mile strip around the Islands you would cut off approximately 60 per cent of the population devoted to agricultural pursuits. In the mountainous interior, which is not included, the inhabitants are largely people who are not, strictly speaking, agriculturists—they are not an agricultural people, having other means of livelihood, and it is doubtful if their services could be made available and profitable upon the farm. Now I will go a step further and say that from a very careful study of the meteorological conditions here as published by the Government Observatory, one-half of these islands that would not be obliterated by the elimination of this 10-mile maritime zone are by climatic conditions unfit for the purposes of growing tobacco. We have on the west coast—and these figures are derived from thirty-nine years' observations—five to six months

of weather which is suitable for the growing and curing and fermentation of tobacco. Upon the east coast of the islands the rainfall is not only more abundant but it is more uniformly distributed. Take the southern end of these islands and the whole of Mindanao on the east coast, and it is very unusual for two weeks to go by without some considerable rainfall; that rainfall runs from 2,500 to 3,500 millimeters per annum. Under such conditions the growing of tobacco successfully is an impossibility. Now, practically speaking, we have two islands left—the Island of Luzon and the Island of Mindanao—which have large interior valleys which may or may not be devoted to tobacco growing.

Senator WARREN. Two thousand five hundred millimeters is about 100 inches, is it not?

Professor LYON. Yes, in round numbers. Of these two islands, Mindanao is practically terra incognita. It is true that tobacco has been grown there, but during the past three years—while the Bureau of Agriculture has made an effort to introduce tobacco and has interested various planters, both natives and Americans, and has receive reports from them—the reports have not been satisfactory as indicating that the weed or plant is not capable of such development on that island as would induce a man who knew something about the industry to make an investment. I will not say that Mindanao is not capable of such development. At present, however, we only know it is the country where the curio hunter goes to look for his plunder. It is more known as the land of the kris and the interesting Moro cloth than for anything else. There are many things of interest in Mindanao, but I hardly think that the situation as regards tobacco growing in that island would merit serious consideration by a business man who was looking into the prospects of tobacco production in these Islands.

Now, we have left the Island of Luzon. Aside from this map which the other gentleman has marked, and marked very correctly, too, I must state, which shows the extent of country that is now or has been in the past devoted to tobacco, there still lies one large valley, known as the Pampanga Valley, extending from Manila toward Dagupan. In that valley tobacco was once grown, but it is not now grown there to any great extent, nor has it been a success. There are still here and there a few farmers who produce a little. They never, however, have raised it in sufficient quantities

or quality to obtain a price for it in the Manila market that would pay them.

The CHAIRMAN. How many pounds to an acre can you grow in the Philippines?

Professor LYON. About 900 pounds an acre, which is the yield from the best Isabela plantations, but according to latest census returns the average for the whole Archipelago is under 500 pounds.

The CHAIRMAN. That sells at \$11, gold?

Professor LYON. Yes, sir.

The CHAIRMAN. That is a pretty good crop per acre.

Professor LYON. But it is grown entirely upon shares.

The CHAIRMAN. But that would not alter the amount of money that is produced by an acre of crop.

Representative SCOTT. How does the crop compare with the yield in Cuba?

Professor LYON. Well, in Cuba we figure on getting about 1,000 or 1,200 pounds. Of course, it is very hard to find averages of any kind as to crop production in the Philippine Islands, owing to the small interests and the lack of statistics. Now, in regard to wrapper tobacco. Wrapper tobacco, as known to the trade in the United States, is practically unknown here. The wrapper tobacco here consists only of those leaves which are selected from the general crop because they are of better quality. No such thing as a wrapper leaf was ever grown here until an effort was made by the Bureau of Agriculture to introduce a strictly wrapper tobacco, and to cultivate it under sheds here. We received from many Spanish and Filipino firms engaged in the growing of tobacco a ready and hearty coöperation and a desire to help. One of these firms has been conducting experiments along the line laid out by us at great expense. For these purposes we introduced the seed of the finest grade of Sumatra tobacco. From a knowledge of the way the thing is conducted in Cuba and the Connecticut River Valley, I will say that the difficulties to contend with are much greater here. So far, the tobacco firms conducting these experiments have obtained no results, and our results have been attained with greater difficulties than are found anywhere else, because of a variety of pests the successful control of which necessitates the outlay of a great expenditure of time and money. Accordingly the value of any such wrapper raised in these Islands

will be greatly enhanced. Such as we have produced has that elasticity and smoothness which is desired by the man who undertakes to grow such tobacco. These have been experiments; practically speaking, there is no wrapper tobacco known in these Islands such as is known to the trade in the United States.

Representative HILL. Have you tried the Sumatra seed here in the open?

Professor LYON. Yes, sir; but we found that it resulted in an abnormal development of the secondary ribs or veins, which can not be used without a great amount of waste in cutting out the wrapper strip.

Now, there was a letter published only a year ago in the report of the hearing before the Committee on Ways and Means of the House of Representatives with regard to the tobacco question, and while I am not going to read that letter, I shall call your attention to some extracts from it. It was a letter written by Mr. Welborn, the Chief of the Bureau to which I belong, and when he wrote it, I wish to state, he had none of the figures which I intend to impose upon you. These were received from the late census. Mr. Welborn states in this letter, speaking of this Pampanga Valley:

"The Pampanga Valley is devoted almost entirely to rice, sugar cane, and corn. I understand that it has been so since the recollection of the earliest inhabitants. The people in this valley, as elsewhere, are as conservative as the Chinese about changing their practice. Regardless of the possible profits in tobacco or other crops, I do not believe fifty years would suffice to bring about any considerable changes in the crops they are producing."

Now, my purpose in quoting that is this: I consider that last sentence, in the view of recent developments, almost prophetic. This brings me back to my figures. From the last census, we have the exports of the Islands for the last half century. With the exception of a hiatus of six years, which occurred between 1868 and 1872, and another one or two years, between the change of the government from Spain to the United States, we have these figures complete for the last half century. During all that time the average exportation in gold dollars was \$2,114,529, the annual exportation of manufactured and unmanufactured tobacco of all kinds to all parts of the world from the Philippine Islands. Now, in the years 1899 to 1902—four years of American occupation—the average for these four years was \$2,196,500, indicating that during

four years of American occupation, up to the time of which these figures were taken, the tobacco exporting industry has gone forward by such leaps and bounds that it has had the wonderful increase of a total of \$82,000. Now, this is in the face of the fact that there is a large number of Americans here striving to introduce and advance and improve the material interests of the country as much as possible. These earnest efforts upon the part of the Americans to improve conditions have resulted in a total increase in four years of \$82,000 a year, and that is all. For that reason I consider that this general statement made by Mr. Welborn was fairly prophetic, when he said that in fifty years there would be no considerable changes. From my point of view, that is the situation from the standpoint of tobacco in these Islands. It is not susceptible to any enormous increase—far from it. I think that with the slow methods in use here it is impossible that there should be any large increase above our present production worthy of real consideration.

Representative OTJEN. What is the total cost of tobacco per ton at present?

Professor LYON. I could not say. The export value of all is \$2,194,000. You can figure its export value at \$200 per ton approximately for the unmanufactured tobacco.

The CHAIRMAN. Before coming to the Islands, were you familiar with the growing of tobacco?

Professor LYON. I lived in the Connecticut River Valley, and was a farmer. I have also paid some attention to tobacco growing in the Tropics.

The CHAIRMAN. Do you think the importation of this tobacco or these cigars to the United States would affect the tobacco grown in Connecticut?

Professor LYON. No, sir. I can not see why it should do so.

The CHAIRMAN. How about Kentucky? Would it interfere with the tobacco grown there?

Professor LYON. No; that is an entirely different class of tobacco. In Kentucky tobacco is grown and used largely for the manufacture of plug tobacco. So far as I know, there is no plug tobacco made in the Philippine Islands.

The CHAIRMAN. Are you familiar with the tobacco grown in eastern Ohio or West Virginia?

Professor LYON. No; my knowledge is confined to the tobacco

grown in the States of Maryland and Kentucky, and in Mexico, Cuba, and the Philippine Islands.

Senator NEWLANDS. Do you wish to express an opinion as to how much the exportation to the United States would be increased by the removal of the tariff?

Professor LYON. I think it would be subject to some increase, provided that it found a market; provided, also, that the cigars could come into favor with American smokers. The extent of that increase I could not predict. The taste for the Philippine cigar is an acquired taste. Many people do not like it at first. The first time I tasted a Philippine cigar I thought it was simply vile, and now I prefer it to anything else. They will have to work up and cultivate a taste for the Philippine cigar.

Representative CURTIS. Does not the fact that the importation of Philippine tobacco into the United States has greatly decreased in the past year or two indicate that there would be no great increase? You know that last year there was hardly any imported.

Professor LYON. I think it would hardly amount to anything at first. The industry here is struggling with many difficulties, and they would have to build up a market in the States.

Representative SCOTT. Do not cigars deteriorate by the long sea voyage in the course of transportation from here to the States?

Professor LYON. Yes; in a long voyage like that to the States, that would be true. The cigars back in Cuba are packed better than those in the Philippines. That is another point. There is always the danger of them drying out.

The CHAIRMAN. Is not a great deal of this tobacco shipped to France?

Professor LYON. I think very little. We ship some to Spain. There is some leaf tobacco which goes to Spain. The best used to go to Germany, but there is a lot goes to Spain still. I think it is largely due to the fact that Spaniards who lived here many years have acquired a liking for Philippine tobacco and have introduced that taste there.

Senator NEWLANDS. There is an import duty upon tobacco which comes to the Philippines?

Professor LYON. I do not know about that.

Mr. WELBORN. Yes; the duty is \$1.85, gold, per pound for the best wrapper and 35 cents, gold, for unmanufactured filler leaf.

Senator NEWLANDS. You mean 35 cents for the tobacco contained in the interior of the cigar?

Mr. WELBORN. Yes, sir; and \$1.85 for the wrapper.

Senator NEWLANDS. What is that tobacco worth in the market here?

Professor LYON. The fancy grades here that are used for wrapper by us are worth 65 to 70 centavos or 35 cents, gold. The ordinary No. 1 or No. 2, from the Cagayan Valley, is worth about ₱30, Philippine currency, per quintal, or 15 cents, gold, per pound.

Senator NEWLANDS. Then, if you get that price, plus the duty in America, what price would you receive there?

Professor LYON. Well, we would hardly expect to get the duty in addition. We would get only direct competition with wrappers imported. We should certainly have to sell the Philippine cigars cheaper than the Sumatra cigars. We would not get the benefit of the \$1.85, or of the 30 cents, in that sense.

Senator NEWLANDS. You could get the 35 cents, gold, here, and the 35 cents, gold, there?

Professor LYON. No; we get only 15 cents here for the filler.

Senator NEWLANDS. And to that would be added the duty of 35 cents there. That would make 50 cents, then, that would be received in America for the tobacco for which you here receive 15 cents. Now, if that were true, would not all your filler go to America? You would not be able to sell anywhere else in the world at such a price.

Professor LYON. I think possibly not, but I am not willing to state that we could get 50 cents a pound.

Senator NEWLANDS. What price could you get?

Professor LYON. That remains to be seen. We would have to enter into competition in the market. It would depend upon the competition with other brands.

Senator NEWLANDS. Can you give any estimate as to what price you would receive?

Professor LYON. No; I can not; because there is no tobacco grown in the United States that can be compared to this Philippine tobacco. It is a different class. It will have to build up a market of its own. I think its price would depend upon its merits and the demand for it by smokers, and that demand would have to be created.

Senator NEWLANDS. You sell it here for 15 cents. If you could sell it there at 25 cents, would not that cause it all to go there?

Professor LYON. Well, there will always be a considerable demand here.

Senator NEWLANDS. Yes, I understand, but I am referring to your exports. All your exports of filler tobacco would go to America because of the higher price you could get there?

Professor LYON. Well, possibly so.

Representative HEPBURN. How much goes to America now?

Professor LYON. We are not exporting to America now. We have no wrapper such as is liked there. Any exportation to America would have to be to fill the demand that we could build up.

Senator NEWLANDS. Have you some wrapper tobacco to which this duty of \$1.85 would apply?

Professor LYON. No, sir; I think not. We have no wrapper tobacco here as it is known in the States. I would not call this wrapper tobacco. If I were shipping it to the States I would class it as filler tobacco.

Senator NEWLANDS. As that it would go in there at 35 cents?

Professor LYON. Yes, sir.

Senator NEWLANDS. Now, with that increased price to the producer of tobacco here, don't you think that better methods would be employed, both for producing and manufacturing, as well as for growing and caring for the plant, than are employed now?

Professor LYON. Well, such may come in time, but my observation is that these processes move very slowly here.

Senator NEWLANDS. They do under present conditions, but we assumed that the business becomes improved and is taken hold of by some corporation that is familiar with the business both of producing and curing tobacco. Now, don't you think that under these circumstances conditions would greatly improve here?

Professor LYON. I do, but I still think that the limits as to production in the Philippine Islands to which I have referred are with us and can not be greatly exceeded.

Senator NEWLANDS. Well, take the land now under cultivation or that has been cultivated, and assuming that no other land is capable of producing tobacco, can not improved methods of cultivation, fertilizing the soil, and caring for the plant result in a much larger output?

Professor LYON. Yes, sir; of course.

Senator NEWLANDS. How much would that increase?

Professor LYON. Well, possibly 25 or 30 per cent more than at present.

Senator NEWLANDS. No more than that?

Professor LYON. Well, possibly it might reach 33½ per cent. Any process which will increase a crop that much would indicate that the man who is in charge is a very capable farmer.

Senator NEWLANDS. The present methods are very crude, are they not?

Professor LYON. Yes, sir.

Senator NEWLANDS. Very much inferior to those in the United States or Cuba?

Professor LYON. Yes, sir.

Representative CURTIS. How is the work done on the plantations?

Professor LYON. The cultivating is done by the share system. All the work is done by a man who lives upon the estate owned by a factory or tobacco firm, and cultivates the land, raises the tobacco, and delivers it. He gets a share of the crop. It is divided between him and the company.

Representative CURTIS. It is cared for by himself and his whole family, is it not? His children help him?

Professor LYON. Yes; I presume so.

Representative CURTIS. Now, as I understand it, that is partly the reason for this trouble from insects.

Professor LYON. Yes, that is true. The natives know nothing about combating the insect pest. One of the things which I had in mind when I told the gentleman that the total product of the tobacco might be increased 33½ per cent was that.

Representative CURTIS. It has been said here that it was hard to get these natives to change their old methods.

Professor LYON. Yes, sir; I can tell you my own experience in endeavoring to get them to harness two carabaos to a cart instead of one. They said it could not be done and would not try, but I showed them that it could be done, and hitched up the two carabaos. That was down in Batangas. But I think if you would go back to that same country now you would not find a single man using anything but one animal to a small plow.

*Senator NEWLANDS. Can you estimate in dollars what duty would be remitted by the United States if the entire present exports of these Islands went to the United States?

Professor LYON. Why, there would be no duty remitted. We send no tobacco to the United States.

Senator NEWLANDS. I mean the entire export to the whole world.

Professor LYON. I do not understand.

Senator NEWLANDS. I understood you to state that with this largely increased price in America naturally all the tobacco produced in these Islands and exported would go to the United States, as the best market for the product. Now, I ask you, upon the basis of the present exports to the entire world, assuming that it would all go to the United States, what the total amount of duty remitted by the United States would be per annum.

Professor LYON. There would be no remission of duty, because we are not exporting to the United States.

Senator NEWLANDS. But that tobacco would take the place of other tobacco that is imported into the United States and upon which duty is paid.

Professor LYON. No, sir; I do not think that it would compete with Cuban cigars. The people who are accustomed to smoke Cuban cigars find a great deal of difference between this cigar and the Cuban cigar. I think the Philippine cigar will occupy a field of its own. I do not know any cigar made in the East which is in the same class. I think we have got to build up a demand for them.

Senator NEWLANDS. Well, just to the extent that you would build up a market for them they will take the place of the Sumatra cigars. What cigars do they resemble most?

Professor LYON. Well, they come nearer to certain brands of Key West or Cuban cigars than they do anything else.

Representative CURTIS. Can you give me any information as to the cost of making the cigars here and in the States?

Professor LYON. No, sir; I do not know anything about factory details.

Representative CURTIS. Can you give the cost of making 1,000 cigars in the Philippines?

Professor LYON. I think you will find all those figures in the very careful report submitted by the Germinal factory. That is all out of my line.

Senator NEWLANDS. I understand that you are not now selling tobacco in the United States. Is that because there is no market yet, or because the prices here, when added to the tariff, make the cigars too high in cost in America?

Professor LYON. That is the cause exactly. I know a man here who tried exporting certain brands to the United States and he found that they cost him about $11\frac{3}{4}$ cents, gold, apiece, laid down there, and it was a cigar which retailed at not more than two for a

quarter. The cigar was not such as to justify any more; so there was no profit in it.

Representative HEPBURN. Now, take this Philippine mill price of 15 cents on your filler tobacco and the tax of 35 cents, the assumption would be, it occurs to me, that you don't get the 15 cents because of the 35. Can you tell at what price it would find a ready market now in the United States?

Professor LYON. I think it would net a price slightly in advance of the one received here. I think that it would probably receive a small encouragement in that way.

Senator WARREN. Have you open markets with other countries?

Professor LYON. The only open markets for manufactured tobacco we have are Hongkong and Singapore. All other markets of Europe to which we ship our products, as England, France, and Spain, all demand duties upon the product and upon the manufactured tobacco also.

Senator WARREN. You do not think that the market in the United States is such that you would increase the market there largely, even if the tariff were removed?

Professor LYON. No, sir; it would be a question of working up a market for the product.

Representative CURTIS. One question: At one of the factories yesterday I was advised that the cigar people had to import their cigar boxes from Germany. Now, I would like to know why it is that cigar boxes could not be manufactured here. I understand you have a very good cedar here.

Professor LYON. Well, one reason is that it costs 25 cents a cubic foot to get the material and an additional 25 cents for interisland freight to Manila, and it costs less than that to get it from Germany.

Representative CURTIS. Well, these gentlemen told me that they manufactured their own boxes prior to the enactment of this new internal-revenue law.

Professor LYON. Well, I do not understand why the internal-revenue tax would affect it. There is no tax of that kind upon wood.

Representative CURTIS. I refer to the local tax upon the wood where the Government owns the timber.

Professor LYON. Well, that tax—the forestry tax—has always existed here under the Spanish Government, the same as under our

own. I think the high cost of interisland transportation is one thing that causes the timber to be so high here.

Senator NEWLANDS. Do you know what the forestry tax is?

Professor LYON. It varies. I do not recall the rates. It depends upon the classification of the wood.

Senator NEWLANDS. The tax is a price per cubic foot, as I understand it. Can anyone go to land of the Government and cut down timber by paying that price?

Professor LYON. Well, they have to get a license first.

Senator NEWLANDS. Well, after getting the license?

Professor LYON. Yes, sir.

Senator NEWLANDS. I move that we adjourn until to-morrow at 9 a. m.

The CHAIRMAN. The motion is made that we adjourn until 9 o'clock to-morrow morning, and if there is no objection, it is so ordered.

(The committee then adjourned until 9 a. m. to-morrow, August 10, 1905.)

MANILA, *August 10, 1905.*

The committee met, pursuant to adjournment, at 10 a. m., with Senator Scott, of West Virginia, in the chair.

Mr. José Rosales, manager of the Compañía General de Tabacos de Filipinas, said he desired to speak in behalf of the tobacco interests of the Islands.

**STATEMENT OF MR. JOSÉ ROSALES, MANAGER OF COMPAÑÍA
GENERAL DE TABACOS DE FILIPINAS.**

The CHAIRMAN. Do you buy tobacco?

Mr. ROSALES. Yes, sir; buy and sell. I represent the Compañía General de Tabacos de Filipinas, a firm of tobacco manufacturers and growers that has been established in the country for twenty-five years, and I also speak in representation of 6,000 Filipinos engaged in the cultivation and manufacture of that article. I thoroughly agree with and support all of the arguments, facts, and figures that were advanced yesterday afternoon by Mr. Lyon, of the Bureau of Agriculture, and I wish to add to that that there has never been as severe a crisis in the industry in the Philippine Islands as that which at present prevails. The Philippine tobacco industry in cigars has lost the markets of England, India, and Australia on account of the duties imposed upon that article, and I wish to give

these figures to prove my assertion. These figures refer to the exportation of manufactured tobacco. In the year 1901 it was 1,559,780 kilograms; in 1902, 1,063,069; in 1903, 1,235,257; in 1904, 705,827; and for the first six months of the year 1905, 149,828; and the proof of the decadence of the industry is that at the present day we have but 10 per cent of the number of women formerly employed in our factories and but 50 per cent of the number of men—and in the name of the laboring class of the Philippines engaged in the tobacco industry we ask that the markets of the United States be thrown open to our product. The tobacco factories of the Philippine Islands give a means of livelihood to thousands of native families who are entitled to the protection of the laws of the Government of the United States, and as the production of high grade of fine leaf in the Philippine Islands is very small, there is no reason to fear any severe competition with the American article in the American market. Besides this, by opening the markets of the United States the price of leaf in the Philippine Islands and the price of labor would increase to such an extent that we may assert that the total increase would be 75 per cent of the actual cost of the article. Besides, it is unjust to consider the Philippine Islands as part of the territory of the United States and still, at the same time, to refuse free entry of their products into the mainland territory of the United States. The maximum output of cigars in the Philippine Islands to-day assuredly does not reach over 70,000,000, and, though this number were to be duplicated, it would not constitute a menace to the industry in the United States. Besides this, we have already stated and demonstrated, we believe that the production of leaf tobacco in the Philippine Islands is limited, in view of the fact that the lands suitable for its cultivation are limited also. The production of Philippine tobacco is not over 1½ to 2 per cent of the total production of the world.

Representative CURTIS. I would like to ask about your tobacco boxes—why you import them from Germany.

Mr. ROSALES. Before the war we were able to purchase a cubic foot of calantás at 30 centavos, while after the war this price has risen to ₱1.05.

Representative CURTIS. Why did the price raise?

Mr. ROSALES. On account of the war, for the reason that industry was paralyzed, labor was scarce, there was no security in the forests,

and there was a lack of transportation, and besides this the duties or taxes on forestry products and the utilization of forestry products was also increased; and in connection with my argument, I should like to appeal to the members of the Congressional committee, asking them to extend protection to the native cedar by raising the customs duties on imported cedar that is brought into the Philippine Islands.

Representative CURTIS. If this internal tax were reduced on native cedar, could you make your boxes here?

Mr. ROSALES. Yes, provided that the duties on foreign cedar were raised at the same time.

Representative CURTIS. I wish you would tell the members of the committee something about the difficulties the tobacco growers have in producing tobacco—something about the manner in which it is produced on the farms.

Mr. ROSALES. The greatest difficulty that the tobacco grower has to contend with is the low price of his product in the market.

Representative CURTIS. Is not that low price caused largely by the fact that they do not take good care of the tobacco while it is growing, and in cutting it and curing it?

Mr. ROSALES. The lack of care in growing the leaf and in curing it, and generally in handling it, is the reason why it finds unfavorable acceptance in most markets, and for a low price. It is only the tobacco grown in Isabela that brings a remunerative price to the grower; for instance, the first quality brings ₱35, but to-day we would be willing to pay ₱60 for the same class of tobacco for the manufacture of fine cigars, if we could find it at all.

The CHAIRMAN. Let me ask a question. This land that you grow tobacco on—how many crops of tobacco will it grow before it has to be fertilized?

Mr. ROSALES. We do not fertilize the land here; it does not need fertilizing.

The CHAIRMAN. Then can they raise crop after crop of tobacco on the same land and the number of pounds per acre be just as good as the first crop that was grown on that land?

Mr. ROSALES. The tobacco is grown in the river valleys, where there is an annual overflow of the river, which enriches the land upon which the tobacco is grown.

The CHAIRMAN. It is only on ground in the valleys?

Mr. ROSALES. Yes, sir.

Representative SCOTT. Did I understand you to suggest that a

tariff ought to be levied upon cedar imported into this country for the purpose of protecting the home timber?

Mr. ROSALES. Yes, sir.

Representative SCOTT. Would that not levy an additional tax upon the manufacturers of cigars, at least for the present?

Mr. ROSALES. Not if the taxes were lowered on native timber—the internal taxes.

Representative SCOTT. Well, if the internal taxes were abolished altogether on this particular variety of wood, would the native industry then be able to supply a sufficient quantity?

Mr. ROSALES. Yes, sir.

Representative SCOTT. Do you know what the result of the reduction of the Dingley tariff to 75 per cent was in the way of promoting the importation of cigars to the United States?

Mr. ROSALES. It absolutely had no effect whatsoever.

Representative SCOTT. Do you think that a reduction of 50 per cent more, bringing it down to 25 per cent, would have a beneficial effect?

Mr. ROSALES. No, sir; I do not believe it would.

Representative CURTIS. You want absolutely free admission?

Mr. ROSALES. Yes, sir; absolutely so.

Senator FOSTER. Since the American occupation of the Islands, has agriculture and the general condition of the Islands improved or not?

Mr. ROSALES. No, sir; as a consequence of the war, the people have gotten out of the habit of careful cultivation, and it would be necessary to instruct them again. It would be necessary for all the growers to have an association—to come to an understanding—in order to make an effort to improve the methods of cultivation, to make the cultivators more careful than what they are, and they would have to further count upon the assistance of the provincial authorities. There is also to add to this the animal plagues that we have suffered—the rinderpest—and I consider that also one of the results of the war, as it occurred immediately after the war; and the lack of labor also.

Senator FOSTER. I believe you stated that in 1903 the exports of tobacco amounted to 1,235,257 kilograms. That was some time after the war, was it not?

Mr. ROSALES. Those figures refer to the exportation of manufactured cigars, and this table shows that orders for this article from abroad, from foreign markets, have been decreasing.

Senator FOSTER. If you had received the orders, could you have filled them since 1903?

Mr. ROSALES. Yes, sir; we would have been able to do so in current brands.

Senator FOSTER. Then the decrease in exportation of the article has been attributable rather to failure of demand for the article than to the inability of the people of the country to supply it. Is that so?

Mr. ROSALES. It is due somewhat to the lack of demand, but it is also due to the inferior quality of our tobacco—to our inability to supply the wrappers for our cigars that the fine markets require.

Commissioner WORCESTER. (Interrupting.) Mr. Krafft has brought a little exhibit here which will further make plain to the gentlemen of the committee just what is meant by mere results in tobacco production. Here is a box of cigars of a quality much in demand, turned out by the La Yebana factory, which has Philippine filler and Philippine wrapper; and here is a cigar the wrapper for which has been imported from Connecticut—the lack of wrapper tobacco here having led to the importation of Connecticut wrapper leaf—and you will readily see the difference in the appearance of these cigars; and any of you who are users of tobacco will know that these cigars with a light wrapper are in much greater demand than those with the dark wrapper. Mr. Krafft states that it is neither the worst nor the best of the wrappers here, but it is the medium wrapper.

Representative SCOTT. How much more would it take to manufacture 1,000 cigars with the Connecticut wrapper than with the native wrapper?

Commissioner WORCESTER. I could not state. It merely occurred to me in connection with Mr. Rosales's statement to produce these cigars, and I thought it would interest the gentlemen of the committee.

Representative SCOTT. I thought Mr. Krafft would be able to know that.

Mr. ROSALES. It would take ₱3 to ₱4 more per 1,000 with the Connecticut wrapper.

Senator FOSTER. I want to ask how the production of tobacco in the Islands for the last year compared with the production of tobacco in the year 1903.

Mr. ROSALES. The production of tobacco in the Philippines is

about the same every year, provided there are no typhoons, but when there are any typhoons they cause such a severe damage and decrease in the crop as may be gathered from the following statement of facts: In the year 1886 the crop in the Island of Panay was 30,000 quintals, while in the succeeding year, 1887, owing to a typhoon, it was but 1,800 quintals. This shows the destruction that is wrought here by a typhoon.

Senator FOSTER. But what I wanted to find out was the comparative production of the tobacco crop in the whole Islands in the year 1903 and the present year.

Mr. ROSALES. I can not recollect the figures just now, but I can give them to you afterwards.

Senator FOSTER. What is the difference in the price of labor per day now and what it was before the war?

Mr. ROSALES. It is necessary for me to make an explanation, then I can answer that question. As regards labor, we understand the wages with us to begin only after we have bought the article from the cultivator. The man who farms the tobacco and grows it with his family—the price of labor does not enter into that item, but only after we have bought from him who cultivates the tobacco with his family, then does the item of labor come in for us. The price of that labor has doubled since the war. If the gentlemen of the committee have any further questions to ask of me, I shall be very pleased to answer them in writing, if you will kindly make a list of such questions and furnish them to me.

Senator FOSTER. You understand, of course, that these questions suggest themselves just in the course of the investigation, and it would be a little difficult to do that. We just simply want to get at the real facts of the case, and it would be almost impossible, so far as I am concerned, to submit any written questions. Are you a manufacturer or grower of tobacco?

Mr. ROSALES. A manufacturer, buyer, and grower of tobacco.

Senator FOSTER. How does the price paid for labor in your factory now compare with the price you paid, say, five years ago?

Mr. ROSALES. The prices that I pay for labor in my factory have increased about 25 per cent—the cost of manufacturing, that is to say.

Senator FOSTER. Is there any scarcity of labor?

Mr. ROSALES. There are a few laborers out of work, but they are

cigar makers; but if the production were to increase there would be a shortage of labor, and it would be necessary to employ two or three years in getting the necessary apprentices sufficiently skilled with the fingers to become cigar makers. As the output of the manufacturers has decreased during the past few years, we have had very few apprentices, and if there were much of an increase in the output now there would be a shortage in skilled labor.

Senator FOSTER. Has the home consumption increased or decreased?

Mr. ROSALES. The home consumption increased while the forces of the United States Army were here, but it has diminished again.

Senator LONG. Will you please compare the prices you pay for tobacco now with the prices you paid before the American occupation?

Mr. ROSALES. I presume you mean the tobacco in leaf. The leaf tobacco is worth now 20 per cent more than before the war. But in 1900 the price of leaf tobacco doubled, on account of the sharp demand which came from all over the provinces when the blockade was lifted in the different ports of the Archipelago.

Senator LONG. Notwithstanding this increase in price, there has been a decrease in the amount of tobacco grown in the Islands?

Mr. ROSALES. The production is more or less the same in the Philippine Islands now as it was before. The only element that makes any difference in the production is the question of the order.

Senator LONG. Have you any trade with Spain at present?

Mr. ROSALES. Yes, sir.

Senator LONG. How does it compare with the trade you had with that country before the American occupation here?

Mr. ROSALES. At the present time manufactured tobacco can not enter into the Spanish market in as large quantities as formerly, owing to the increase of the duties on manufactured tobacco, amounting to 3 Spanish pesos, which figures out \$2.25, gold, per pound.

The CHAIRMAN. In your statement of a moment ago, as to the increase of the cost of tobacco, you refer to the fact of the increase in the cost of transportation. Why is the cost of transportation any higher now than it was before the war?

Mr. ROSALES. Do I understand you to speak of leaf tobacco?

The CHAIRMAN. Yes, sir.

Mr. ROSALES. The cost of transportation of tobacco in the Cagayan Valley to the seaport at Aparri was doubled, and the freight

from Aparri to Manila was also doubled, until six months ago, when there was a decline in the freight rate on account of competition.

The CHAIRMAN. Another question: Suppose we enact a law taking the duty off of tobacco and making free trade with the Philippine Islands in their production of tobacco. Would that reduction result in a proportionate benefit to the laborer, or would the manufacturer and the dealer be the men who would receive the benefit?

Mr. ROSALES. Practically, the benefit would accrue to the laborer, because there would be a great increase in the demand for labor, and therefore competition and a high rate of wages.

Representative SCOTT. You said in reply to a question by Senator Foster that the wages now paid the makers of cigars are about double what they were before the war. Was that increase granted voluntarily or did it result from a scarcity of labor or a combination on the part of the laborers?

Mr. ROSALES. The increase in wages is due to a number of contributory causes, the greatest of which is the increased price of all staple articles that the workingman uses, which has had the effect of raising the salaries of all employees and laborers.

Representative SCOTT. I can understand that that would justify an increase in wages. What I was trying to find out was whether the employers voluntarily yielded it or whether it was forced from them.

Mr. ROSALES. The increased wage was not the result of any pressure brought to bear on the employers of labor by the laboring men. They tried to do that once and they were unsuccessful; but it has been due rather to the reasonable view taken by the employers of labor and their voluntary action in increasing the wages.

Representative SCOTT. As a result of this increase of wages, do the laboring men live better now than they did prior thereto?

Mr. ROSALES. No, sir; for the reason that everything that they require has advanced in price proportionately.

Representative DRISCOLL. I would like to ask you how much it costs you to make 1,000 Perfecto cigars?

Mr. ROSALES. Thirteen pesos. I am not sure that I understand your question thoroughly, but the P13 is the item of labor.

Representative Scott. That is what I meant—the item of the cigar makers' wages.

Mr. ROSALES. That is it—P13.

Representative Scott. And you said further that the free entry of Philippine tobacco into our country would largely increase the demand for labor. To what extent do you think it would increase that demand?

Mr. ROSALES. I have estimated that the entire cost of the manufactured article would increase 75 per cent, and I judge that the price of the raw material would increase to that extent, and I also judge that the labor would increase considerably in price.

Representative Scott. Which would increase the more, the labor employed in making the cigars or the labor employed in growing the tobacco?

Mr. ROSALES. The wages would increase proportionately in each instance. The principal item in the increase in cost of the manufactured tobacco would be the increased cost of the fine wrappers that would have to be used, the fine quality of tobacco.

Representative Scott. What is the duty now paid on the Connecticut wrapper tobacco when it is introduced into this country?

Mr. ROSALES. Twenty-three cents, gold, per pound.

Representative Scott. And is it your notion that if free trade were established the Philippines would pay any internal-revenue tax on the cigars made here and shipped to our country?

Mr. ROSALES. I have not thought on that matter, but I can not quite see what bearing that has on the subject, especially with regard to manufactured cigars.

Representative Scott. I just want to ask one more question: How many times the present crop grown in the Philippines is possible under the most favorable conditions as to prices? How many times could it be increased?

Mr. ROSALES. I have already stated that there is a lack of land in the Philippine Islands adaptable to the cultivation of tobacco. The increase in the production of tobacco could not be over 5, or, at the most, 10 per cent.

Representative Scott. Then why should there be such a great demand for labor more than now?

Mr. ROSALES. But we were speaking of the wages of the operatives in the tobacco factories engaged in cigar making.

Representative Scott. But you stated that the wages of those

employed in growing tobacco and those employed in manufacturing cigars would be increased at about the same rate.

Mr. ROSALES. I was mistaken; I did not refer to the cultivation of the leaf, but I referred to the wages that would have to be paid from the time that the tobacco was gathered in the field and put into the curing house, the wages that would be paid for curing the tobacco, and in the cigar factory for the cigar making.

Representative SCOTT. If the possibility of increasing the crop is not more than 5 or 10 per cent additional, why should there be any more demand for extra labor to manufacture that into cigars?

Mr. ROSALES. For the simple reason that we would not then have, as we have now, 100,000 quintals of tobacco stored in our warehouses here which is wanting a market; it would find a market and be manufactured into cigars.

Representative SCOTT. If that were once manufactured, would the demand for cigar makers or men employed in the manufacture of cigars and cigarettes be largely increased after that supply is used up?

Mr. ROSALES. Yes, naturally there would be, for the reason that there would be an increase in the manufacture of cigars and a decrease in the exportation of leaf tobacco, which is now done at a loss to the growers.

Senator FOSTER. You state that since the American occupation, so far as tobacco is concerned, the price of labor has increased, the price paid for raw material has advanced, and the general production of the Islands is about the same, and notwithstanding that fact there is an industrial crisis and great depression generally in the Islands so far as this industry is concerned. How do you account for that? What is the cause of the crisis and the depression?

Mr. ROSALES. Owing to the fact that in spite of the price of the manufactured article having decreased, the cost of its production has increased, and in that the amount exported of the manufactured article has diminished, while the cost of the raw article and the wages have increased.

Representative SCOTT. You did not mean to say, then, that the selling price of the manufactured product has decreased?

Mr. ROSALES. No, sir.

Representative SCOTT. As the representative of the grower, the buyer, and the manufacturer, you ought to be able to speak the

sentiment of all these classes. I should like to ask you what, in the opinion of these classes, is the reason of the general agricultural, industrial, and business depression that we have been given to understand exists here. Is it due to the natural calamities, rinderpest, the locusts or droughts that you have experienced, or is it due to mistakes in administration?

Mr. ROSALES. We can point to nothing which we might call a mistake in administration; the crisis which we are at present suffering and the general depression in agriculture is due to the calamities through which we have passed, except with regard to the internal revenue on cigarettes.

Representative SCOTT. That is not only your personal opinion but you think it represents the sentiment of all the people?

Mr. ROSALES. Yes, sir.

Representative OTJEN. Do you estimate the payment of wages by the number of cigars or by the number of hours per day?

Mr. ROSALES. By the thousand cigars.

Representative OTJEN. How many hours a day do they work, ordinarily?

Mr. ROSALES. From eight to ten hours.

Representative OTJEN. And how many cigars a day, on the average, does a cigar maker make?

Mr. ROSALES. From 75 to 125, according to the size of the cigar.

Representative OTJEN. And how much do they get for these sizes?

Mr. ROSALES. From ₩4 or ₩5 for the smaller sizes up to ₩35 for the larger per 1,000.

Representative OTJEN. You stated that some make 75 cigars, some 100, and some 125 per day. Now, those that make 75 cigars a day—what would be their wages for a day's work?

The CHAIRMAN. Would it not be well for him to give you the average wages paid to a cigar maker a day?

Mr. ROSALES. The cigar makers are divided into three classes. Those of the first class get ₩2.50 per day, which is \$1.25, gold; those of the second class get ₩1.50, or 75 cents, gold; and those of the third class ₩1 per day, or 50 cents, gold.

Representative OTJEN. The labor employed in making cigars—is it confined to men, or are women also employed?

Mr. ROSALES. Both men and women are employed.

Representative OTJEN. Are any children employed?

Mr. ROSALES. A very few.

Representative OTJEN. The manufacture of cigars is then mostly confined to those who are grown up.

Mr. ROSALES. Yes, sir.

The CHAIRMAN. If there is nothing further before the committee now, we will take up the coastwise subject.

Commissioner WORCESTER. It was the intention of the witness to bring before the committee a full presentation of the very primitive methods at present employed in the preparation of the ground for the cultivation of the tobacco itself, and in the harvesting and curing. It is somewhat more difficult to get witnesses to testify to that than it is to get witnesses to testify as to the manufacture, for the reason that the places from which they must be brought are so remote from Manila and the time so short. The gentleman who prepared the paper on this subject had made a detailed statement, but he is now sick and unable to be here.

The CHAIRMAN. Let it go into the record.

**STATEMENT OF MR. MAURO PRIETO, SUPERINTENDENT OF THE
GERMINAL CIGAR AND CIGARETTE FACTORY.**

The statement of Mr. Prieto is as follows:

**REPORT ON THE CULTIVATION OF TOBACCO IN THE PROVINCE OF
CAGAYAN (LUZON).**

Cagayan, situated in the extreme north of the Island of Luzon, enjoys a more temperate climate than the rest of this island and the other islands of the Archipelago. Being surrounded by mountains covered with vegetation and traversed in every direction by rivers and estuaries, its soil retains the necessary humidity, and because of its natural condition of permeability and the abundant layer of humus deposited upon its surface by the frequent inundations of the river it accumulates fertilizing juices which fit the land for agricultural use.

The agricultural implements and methods employed by the inhabitants of Cagayan are of the most primitive character, as is the case in nearly all the provinces of the Philippine Archipelago with regard to the cultivation of rice, wheat, tobacco, maize, cotton, vegetables, and alimentary tubers.

The implement used for preparing the fields for cultivation is a plow with a narrow, wing-shaped moldboard. Judging by the names of the pieces of which it is composed, and which are of lesser

dimensions than those of European plows, this plow is of Chinese model and origin. To it the native hitches a carabao, the only work animal used by the Filipinos, because its strength and endurance is superior to that of the other cattle of this country. Nevertheless the furrow cut by this plow is only 10 centimeters deep when it is used on irrigated land set aside for the cultivation of rice, while dry land and land used for cultivation of tobacco must be plowed over three or four times or oftener, the farmer being obliged to traverse it in different directions with his plow in order to turn the earth to the depth of 25 or 30 centimeters.

When the Spanish Government established the Government monopoly on tobacco in order to provide revenue for the State, it spread the cultivation of this article throughout the Province of Cagayan, restricting the cultivating of cereals and other agricultural products, and subjected the agricultural labors connected with the growing of tobacco to a rigorous Government inspection. The peculiar and climatic conditions of each locality were not taken into consideration.

This lack of consideration has given a useful lesson in agriculture to the inhabitants of Cagayan by establishing the fact that in the pueblos subject to the influence of the sea the tobacco, though it grows and develops, is of poor quality and disagreeable taste. For this reason the pueblos situated on the seashore, as far as Lal-lo, were not compelled to grow tobacco, the cultivation of which was confined, as it still is at the present time, to the pueblos of the interior situated on both banks of the Rio Grande de Cagayan and the Rio Chico de Itaves and the estuaries tributary to it. Such pueblos are Gattaran, Nagsiping, Alcala, Baggao, Amulung, Iguig, Peñablanca, Tuguegarao, Enrile, Solana, Cordoba, Santo Niño, Piat, Tuao, Mauanan, and Malaueg, which, because of their distance from the sea, produce tobacco of good quality and agreeable taste, though its quality changes with the properties peculiar to its place and locality. In the other pueblos, as Lal-lo, Camalaniugan, Aparri, Buguey, Abulug, Pamplona, Sanchez Mira, and Claveria, the tobacco grown is of very inferior quality on account of the effect of the sea, which is near them.

Moreover, in the pueblos and localities where tobacco is grown there is a notable difference between that grown on high and on low land, both in the robustness and development of the plant and in the quality of the leaf. The explanation is that the high land is

some distance from the rivers and estuaries and is not covered by water during the floods, while the low land is in the immediate vicinity of rivers and estuaries and is frequently inundated. The high land does not receive the fertilizer frequently deposited by the water on the low land, and the nutritive juices contained in it are gradually consumed until, in time, the land becomes exhausted and unproductive.

The difference between the tobacco grown on high land and that grown on low land is not due to the peculiar qualities of the soil and subsoil, but solely to the consumption and alimentation of the nutritive substance or force of the soil, which is not replaced in case of the former, but is suitably returned in the latter. For this reason high forest lands which have been cleared for the purpose of growing tobacco produce abundant crops of tobacco of good quality during ten or fifteen years or longer, the same as the low lands. The duration of the fertility of these high lands is determined by the peculiar condition of the soil, whether it is clayey, sandy, or calcareous, the former being the most suitable for the cultivation of tobacco for the reason that it absorbs and detains more fertilizing juices than chalky or calcareous soil which, being compact, absorbs less humidity than fertilizing juices.

However, high land of volcanic origin which was formerly covered with timber has one advantage over low land during the time that it maintains its productive force and vigor—the planter is nearly always sure of his harvest and not subject to the contingencies to which the low lands are exposed because of the inundations of the rivers, which sometimes occur prior to the harvest and sweep away plantations, dwellings, and tobacco storehouses, or cover the plants with water for three, four, or five days, which rots and spoils the leaf.

It will be seen that there are several different classes of land for the cultivation of tobacco, namely, high clayey and calcareous land, high sandy land of volcanic origin formerly occupied by forests, land at a medium elevation in the immediate vicinity of rivers and estuaries, and low lands. The latter is the most suitable for growing tobacco and produces plants which are tall, abundant in juice, of good quality, beautiful color, and agreeable taste. The next best is land at a medium elevation; then comes land cleared of timber, and in the last place, high land with clayey or calcareous soil. The two classes of land last named have to be fertilized, which involves

an expense to the planter, while the low land receives this benefit without the intervention of the planter, through the mud deposited on it by the water during inundations.

The planters on high land usually fertilize their fields with carabao or cow manure, which they mix with the soil by means of the plow, and with maize stalks and leaves which they allow to rot. The latter is done only when there is scarcity of manure, which is the case at the present time on account of the lack of cattle.

SEED PLOTS.

Seed plots are places where the tobacco is sown, the young plants being afterwards transplanted to land suitably prepared, where they acquire full development. These seed plots must be situated on high land to prevent their being flooded during the great inundations of the rivers, and in the immediate vicinity of the house of the planter in order to make it possible for him to give the tender plants the requisite care. As a rule the place chosen for the seed plot is not shaded by any tree or house, in order to expose the seeds to the action of the wind and the sun which they require for their germination, and to prevent the young plants from becoming weak and delicate. These seed plots are usually established on level land, their length being from 40 to 50 feet and their width about the same, sufficiently large for double the number of plants needed. The plot is surrounded by a small ditch for the irrigation or rain water, the earth excavated being placed within the inclosed space in order to raise its level and prevent the water from accumulating. The planter tills this plot with care until the earth is well pulverized, and sometimes he fertilizes it with dry manure. The plot is divided into beds 3 or 4 feet in width which are separated from each other by shallow longitudinal ditches to prevent the rain or irrigation water from accumulating and rotting the seeds or injuring the delicate roots of the tender plants. As soon as the piece of land set aside for the seed plot is prepared the seeds are scattered on the bed, an operation which must be performed while the earth is moist either from previous rains or from a moderate irrigation.

The tobacco seeds are taken from the fruit of the most robust and vigorous plants chosen by the planter, who leaves their tops uncut and allows them to bloom and produce fruit. These are cut as soon as they are ripe and are put in the sun to dry, in order to facilitate the extraction of the seeds from the pods. The seeds are kept in earthenware vessels until the time for the planting of the

seed plot in order to protect them from moisture, which would be injurious to them.

Prior to sowing, the seeds are mixed with fine sand which has been well dried, or with ashes, to insure their falling on the ground suitably distributed and separated, then the ground is slightly trampled down until the seeds are about one-fifth of an inch below the surface, where they are able to germinate.

There are various classes of tobacco leaf which are the products of divers kinds of seeds. Those usually seen in this province are the kinds known as "catabacuan," "espada," "americana," "habana" (also known as "Isabela de corazon"), and "vizcaya." The former produces leaves the maximum length of which is from 35 to 38 centimeters, and has an agreeable aroma, but its cultivation has been discontinued in view of the facts that the plant is only about 33 inches high and produces a scant number of leaves in proportion to its length, and that it requires a good deal of attention for the reason that it is the most attacked by worms. At present only the classes known as "habana" and "vizcaya" are used, which have a height of from $1\frac{1}{2}$ to 2 meters, the longest leaves having a length of 33 inches or more and a breadth of 50 centimeters. The number of leaves produced by these plants bearing in due proportion to their height, a larger number of leaves is gathered from them than from the others, without their lacking a special aroma and agreeable taste, though it is different from that of the leaves of the "catabacuan."

The time for making the seed plots depends upon the class of land to which the young plants are to be transplanted. For high land where there is no fear of inundations the seed plots are prepared in July and August and the plants transplanted in September and October, and for low land they are prepared in October and November and the plants transplanted in December and January.

The diligent farmer usually makes the seed plots for transplantation to high land on high land also, and endeavors to have the soil of both similar in qualities, so that the roots of the plants, upon being transplanted, will not suffer from the different properties of the soil. The negligent and less skilled farmer, however, does not pay attention to this detail which is essential for the acclimation and development of the plants.

After the seeds have been sown the planter protects them against heat and rain by means of a roof or cover of bamboo and plantain or palm leaves with which the beds of the seed plot are covered

from 10 o'clock in the morning until 4 or 5 in the afternoon on days when there is much sun or heavy rain. When the seed has come up, then begins the work of the family of the planter, which is kept busy weeding out the plot and removing the worms from the tobacco plants, an operation which is carried on every morning and afternoon until the time for transplanting has come.

On dry and very hot days the seed plots are carefully watered in order to prevent their drying up, and if the plants grow too close together some are removed in order to give the remainder sufficient space in which to grow.

The farmer who leaves the care of the seed plot to his family is by no means free from work, because as soon as the plot is sown he commences to prepare the field to which the seedlings are to be transplanted, and for one month he has to plow the land two or three times a week until the upper layer has been well turned over and almost pulverized. Forty-five, or at the most sixty, days later the plants have attained a height of 25 or 30 centimeters and are ready to be transplanted. They are carefully removed, but this is not done long before or after that period, because, if it were done long before, the roots would be weak and lack the vigor necessary for adapting themselves to land new to them, and if it were done much later the primary or vertical roots would be injured when the plant is torn from the soil.

The plants to be transplanted are removed from the soil in the following manner: When the weather is dry the ground is first moistened in order to facilitate the extraction of the roots; then the most luxuriant plant is chosen and the laborer, who has a short piece of bamboo in his right hand, places this beside the plant and plunges it into the soil toward the root; then he makes a slight movement with the hand to bring the end of the stick toward the surface, and the plant, sustained by his left hand, comes out without difficulty, without the vertical root and the fine horizontal roots suffering the least injury. This is done during the coolest hours of the day—from 4 to 9 o'clock in the morning and 4 to 7 o'clock in the afternoon, and on moonlight nights from 5 in the afternoon to 10 in the evening. When enough plants have been taken out for one day's work of transplanting they are well arranged, placed in a basket, covered with plantain leaves, and thus taken to the land on which they are to be replanted, and which has been prepared beforehand.

TRANSPLANTING AND CULTIVATION.

Prior to transplanting the tobacco the farmer plows the land in a longitudinal direction, making the furrows deep on high and chalky land and shallow in light and loose soil, 1 meter or 33 inches apart, according to whether the land is low or high. The farmer is followed by a member of his family who carries a pointed piece of bamboo with which he makes the holes, in which the plant is placed up to the stem, leaving all the leaves above the soil and taking care that the roots and the stems enter the hole without doubling, to prevent the plants from dying off or sickening. If the soil is rather dry the plant is usually watered, special care being taken that the water does not fall on the leaves, whereby they might be injured, spoiled, or their stems broken by the weight of the water.

After the tobacco has been transplanted those of the plants which perish by some accident are replaced, and thus the number of plants in the rows is maintained the same as that of the plants transplanted and no vacant space remains on the field. After the plants have been transplanted three weeks and their vigor and development shows that they are perfectly rooted in the soil, the farmer plows between the rows of plants in order to cover with earth the part of the stalk above the ground.

Then comes the most laborious task for the family of the farmer. They go through the entire field, from plant to plant and from leaf to leaf, from daybreak until 8 or 9 o'clock in the morning, and again from sunset until 8 o'clock in the evening, or later on moon-light nights, picking off the worms which attack the leaves and destroy the plants.

This terrible plague of the tobacco attacks with fatal instinct the best plants and choose those of the leaves which are the most luxuriant, juicy, or gummy. The zeal and activity of these exterminators is sometimes in vain because it does its fatal work in the dark of the night, when it is absolutely impossible to pursue it. Some of the more active and diligent farmers sacrifice their hours of repose and pursue and exterminate these insects at night, by the light of burning crushed bamboo used by them as torches. However, such farmers are very rare, but this method is regularly used by the rich planters on their tobacco fields.

There are three known species of these insects. One is green and eats the tops of the plants. the other is yellow and attacks the leaves.

and the third is black and pierces the stalk until the most vigorous plant falls to the ground.

Up to the present time it has been impossible to discover the origin of these insects or a remedy against them.

When the leaves forming the top of the plant commence to sprout, which is approximately two and one-half months after the plant has taken root in the new soil, the farmer cuts the top off to prevent the plant from continuing to grow upward. At the same time the interior leaves near the ground are removed for the purpose of causing the nutritive juice to concentrate in those which remain and then the foot of the plant is again covered with earth. These labors promote the growth of the shoots, to which the diligent farmer pays great attention. As soon as he has finished gathering the leaves of the plant he removes those shoots, leaving only two, or at the most three, of the most robust and vigorous, which produce as good leaves as the plant. If this care is taken, both the mother plant and the shoot produce gummy leaves of excellent quality.

In connection with what we have said about the cutting of the tops, it must be mentioned that the farmer does not perform this operation on all the plants, because then he would be without seeds for the next crop. When the tops are being cut off, some plants are always spared and permitted to bloom and bear fruit, from which the seeds are extracted, as previously described.

CUTTING AND DRESSING THE LEAVES.

When the tobacco leaves approach the stage when they are fit for cutting, yellowish spots appear on their surface and gradually spread over the entire leaf, which is mature and ready for cutting as soon as it has acquired this color. The upper leaves mature first. The leaves are removed from the plant in the following manner: One grasps the petiole of the leaf with the principal three fingers of the right hand and removes the leaf, with a slight downward movement, without injuring the plant, the left hand supporting the plant. This work is done between the hours of 8 and 12 in the morning and 3 and 5 or 6 in the afternoon. It is not advisable to cut the leaves at an earlier hour, before the dew which has fallen on them during the night has evaporated, because the latter makes dark-green spots which disfigure the leaf and injure its quality.

When the cutting takes place the farmer and his family go to the field with a cart or sled drawn by a carabao, on which they place

the leaves cut or separated from the plant, arranging them in good order, in a vertical position, with the petioles downward, in order not to spoil the points. When the cart or sled is loaded they cover the tobacco with plantain or palm leaves and take it to the curing shed or the house of the farmer, where it is taken off the cart or sled and stacked, care being taken not to bruise or injure the leaves, as this would cause spots and affect their quality. The family of the farmer fastens the leaves by the petioles to a piece of split bamboo half an inch thick and $5\frac{1}{2}$ feet long or more, which ends in a point. A space of 1 centimeter is left between the leaves for the purpose of giving all the benefit of the ventilation upon being suspended, as leaves which are not given this ventilation acquire green spots which depreciate their quality and give the tobacco a disagreeable taste. After the leaves have been hung up on the sticks, these sticks are suspended from the roof of the shed, 20 centimeters apart, both ends being supported by thongs of rattan.

The curing shed is a building consisting of a roof of "nipa" or "cogon" grass, which rests from $16\frac{1}{2}$ to 22 feet above the ground on uprights of timber. As a rule there is no floor or walls, though there are sheds with walls of woven bamboo which are not fixed, in order to make it possible to open or close them, according to circumstances. The height, length, and breadth of these sheds vary according to the quantity of tobacco and activity and resources of the planter.

During the time of the Government monopoly on tobacco under the Spanish régime the tobacco grower was obliged to erect a curing shed at his own expense, besides others which certain populous barrios built for the Government. Since the cessation of this monopoly the growing of tobacco has been left entirely to the choice of the planter, and the curing sheds have disappeared, so that at present there are very few planters who build curing sheds. Some tobacco growers use in their stead the lower portions and the eaves of their houses, and, if these are not sufficient, their dwellings and kitchens.

The advantage of special sheds for curing purposes is the orderly collection of the sticks from 33 inches below the highest portion of the roof down to 1 meter above the ground. In this manner all the leaves are ventilated, because, as I have said, these sheds have no walls and are exposed to all the winds. Those inclosed with walls of woven bamboo or "nipa," which can be opened and closed like doors, have the advantage over the others that they can be

completely closed during heavy and continual rains, whereby the excessive moisture is shut out and the leaves protected from mold, which would destroy their gummy, elastic, and solid qualities, while during dry weather they can be left entirely open to let the air through from every direction. The sheds without walls, on the other hand, keep the family of the farmer busy wiping the leaves with a cloth during rainy weather in order to remove the moisture. If the tobacco is cured in the dwelling the leaves suspended under the floor receive all the falling dust; those upstairs, in consequence of the constant coming and going of the inhabitants of the house, who have to make their way through them, continually suffer violent shocks which leave stains and defects, and those suspended under the eaves are exposed to sun and rain which destroy their peculiar qualities. According to some planters it is advisable to expose the tobacco leaves to the sun for two or three days before curing them, as they acquire a better color after drying, but the experts are of the opinion that this injures the tobacco and gives it a disagreeable taste.

The time for the curing of the tobacco varies according to the size and conditions of the locality and the weather. In regular curing sheds the small leaves hanging under the roof need from fifteen to twenty days and the large ones from twenty-five to thirty; the leaves exposed to the sun dry in less time. In rainy weather, however, more time is necessary for the reason that the humidity prevents the leaves from drying, and if the leaves are not completely dry fermentation sets in rapidly in the stacks and exposes them to the danger of burning, which means their total loss to the planter.

When the leaves are thoroughly dry the sticks are carefully taken down and piled up in stacks $16\frac{1}{2}$ to 22 feet in length and $5\frac{1}{2}$ feet or more in height, according to the amount of tobacco on hand, which also determines the number of stacks made. These stacks are covered with "bast" woven in the form of mats from 1 to 25 meters long and 1 meter wide, which are placed on the sides and the top. ("Bast" is the bark of the plantain tree, which is divided into strips 8 centimeters in width and of the same length as the stalk, dried in the sun, and then woven like matting and used for covering the tobacco.)

After four days the stack is turned over—that is, the sticks are reversed—in order to make the fermentation equal in all the leaves. This operation is repeated four days later.

When the leaves are placed on the sticks they are still fresh and green, and for this reason it is impossible to judge their quality at that time. The persons engaged in this work, therefore, pay attention to size alone, placing leaves of the same size on each stick. After the leaves have been turned for the second time they are removed from the sticks and assorted according to their quality, then they are placed by hundreds on shorter sticks, half a meter or less in length, and again stacked. Now they are turned over as many as three or four times for six, eight, or ten days. While this stacking and turning is going on the tobacco leaves gradually acquire color, but before they have the desired color they are again removed from the sticks and tied up in bundles of ten packages, commonly known as "hands." This operation is simple but delicate, because while the hands are being tied with thin strips of "bast," without separating the ten times ten leaves on each stick, the leaves are gently smoothed out in order to remove the wrinkles. The one hundred leaves are then taken off the stick and rolled up, special care being taken to protect the edges of those toward the interior. Each roll is tied with strips of "bast" at three points—namely, in the middle and at both ends of the hand—to prevent its becoming untied.

These hands are again stacked, the stacks being made very large, according to the capacity of the place, in order to cause the tobacco to ferment. The leaves are arranged with the petioles outside, as in all the stacking operations of which we have spoken, for the protection of the points of the leaves against injury, the only difference being that if the stacks are square, transverse openings called "troneras" are left at certain distances, the object of which is to prevent rapid fermentation which burns the tobacco. If the stacks are round a hole is left in the center running from top to bottom, like a well.

The duration of the working of these stacks, called "mandalas" by the tobacco grower, depends upon the quality of the tobacco leaves and the state of the weather. If the leaves are thick and juicy or gummy the stack is turned over after six or eight days in dry weather and after ten or eleven in wet or rainy weather. Fine leaves are given two days longer in each case and are turned two or three times more during the first period, until the leaves acquire a more or less dark chestnut color.

The tobacco grower, known locally by the name of "cosechero"

(harvester), and all the persons engaged in the tobacco trade in this province, are familiar with the treatment of the tobacco and have no need of counting the days in order to know when it must be turned, because they know this from the odor issuing from the tobacco. When the fermentation commences one notices more heat than usual if one places the hand in the "troneras" or air holes, and this gradually increases from day to day. After four or five days the tobacco has an agreeable odor of molasses which becomes more accentuated every day until it is so strong as to be almost repugnant. This is the time for turning, and not another day must be allowed to pass because otherwise the hands in the lower portion of the "mandala" are in danger of being burnt. After the hands of tobacco have been turned three or four times in the stacks as described they are ready for sale.

We have spoken of the new shoots issuing from the plant after the top has been removed. In order to cause these sprouts to produce large leaves of good quality after the leaves of the plant itself have been gathered, the planter cuts or separates them from the stalk, leaving only two of the most robust and vigorous, selected beforehand, one of which is near the foot of the stalk and the other 11 inches higher. Then the stalk is cut at its junction with the shoot to enable the fertilizing juices to furnish nourishment to the leaves and precipitate maturity. Ten or twelve days later the tops are cut off, an operation performed in the same manner as described when speaking of the principal plant, only three or four leaves being left on each, which insures full development and good quality. If many shoots and leaves are allowed to grow, the leaves produced are scarcely of the third grade, while they are of the second and sometimes even of the first if the method which we have described is adopted. This concludes our description of the cultivation and treatment of the tobacco.

It is the prevailing opinion that tobacco is that product which brings most profit to the Philippine agriculturist, and in the endeavor to prove this the high prices paid for it during certain years on the Manila market have been quoted. These high prices, which scarcely lasted two consecutive years—1900 and 1901—will not return, considering developments on the foreign markets, and therefore can not be used as a basis for calculating profits.

This calculation, in order to be approximate, must be based on the prices usually paid for the article at the locality where the

planters realize on their products, and on the expenses involved. Without these data it is not possible to calculate the profit.

In order to appreciate both expenses and gains, one should become acquainted with the manner in which the tobacco grower sells his product.

We have already stated that the last operation in the preparation of the tobacco for sale is arranging the leaves in hands of one hundred which are tied together. Each lot of forty hands makes up a bale, and in this form it is offered for sale.

The price paid for one bale of tobacco is fixed according to the classification made of the article or agreed upon between vendor and buyer. In previous years, following the abolition of the Government monopoly on tobacco, these prices were lower, but subsequently they advanced and have remained so.

The tobacco is divided into five classes, from the first to the fifth. In this classification attention is given to the length of the leaf and its freedom from stains and defects, such as breaks and wormholes.

First-class leaves must be 45 centimeters long from the petiole or footstalk to the point of the leaf; those of the second class must measure 39 centimeters and be clean and without defects like the former; third-class leaves must be without stains or defects and measure 26 centimeters; fourth-class leaves may have stains and some breaks or wormholes, but must measure 24 centimeters, and fifth-class leaves are all those the length of which is 22 centimeters. We must state that hands which by reason of the length of the leaves are entitled to come under the first class, but which have a certain number of leaves with black or greenish stains, breaks, or holes, are placed in the next class below if the number of such leaves exceeds six. If it exceeds twelve they are placed in the third class, and, if it reaches twenty, in the fourth class. The other grades are appraised in the same manner.

With the foregoing data it will be possible to demonstrate the expenses and revenues, taking as a basis 1 hectare of land.

The value of 1 hectare of low land is estimated at the maximum price of ₱200 and the minimum price of ₱100. The land for the seed plot has to be plowed repeatedly in order to be well prepared. This takes one person with one carabao two days and costs ₱2, at the rate of ₱1 per diem, without taking into consideration the work

of sowing the seed, watering the plot if it is on dry land, and fencing it in to prevent the animals from trampling upon it.

The preparation of 1 hectare of land includes the work of plowing this area over several times in order to pulverize and stir up the upper layer of soil to the depth of 33 inches or 1 meter. This keeps one man with one carabao busy for twelve days, and at the rate of ₱1 per diem for the wages of the laborer and his carabao it involves an expenditure of ₱12.

For the work of transplanting the tobacco on 1 hectare of land the farmer needs three laborers and one carabao. Reducing the number of days of work necessary to five and the hire of the laborers and the carabao to 50 centavos each per diem, this involves an expense of ₱10.

We have already stated that the tobacco plant requires the greatest care on the part of the farmer in order to obtain a good crop. This care involves many different kinds of work and must be continuous while the plant is developing and in the soil. It commences with the removal of the other plants which deprives the tobacco of the fertilizing juices, then comes the covering of the stems with earth, and then the pursuit and extermination of the worms, the hardest but most important task for the farmer. Supposing that all this work requires the services of four persons, who work five hours daily during the period of forty days and are paid 31½ centavos per diem, we have a total expense of ₱50. This does not include the work of cutting off the tops of the plants, of removing the shoots which sprout after the tops have been cut off, and of removing those leaves on the stalk which touch the ground.

The leaves being mature, four persons and one carabao and cart or sled are needed for gathering them. These are kept busy three days during each of the three periods when this is usually done. Calculating the wages of the laborers and the hire of the carabao at 50 centavos each per diem, we have a total expense of ₱22.50.

The leaves gathered are placed on the cart or sled, covered with palm or plantain leaves, and taken to the house of the tobacco grower, where they are received by four women, who assort them according to size and place them on a thin piece of bamboo 1 centimeter thick, one end of which is sharpened. After a sufficient number of leaves has been placed on each stick, the necessary space being left between the leaves to insure equal ventilation for all, it is suspended at the place set aside for airing the tobacco. This

work lasts as long as the gathering of the leaves, and, calculating the daily wages of the hands employed at 50 centavos, the wages of the four women during nine days that this work is going on amount to the total sum of ₩18.

After the airing the sticks are taken down and stacked. For stacking the leaves produced by 1 hectare of land it is necessary to employ four persons for three days, and the wages of these persons, at the rate of 50 centavos each per diem, amount to ₩6. We shall not consider the work of turning the stacks, which is done once, twice, or oftener, according to the diligence and activity of the planter.

The turning is followed by the laborious and delicate task of assorting the leaves into five classes, which is done exclusively by women. Supposing that twenty-five women do this work in one day, which is a very low estimate for the reason that the work is not limited to the classification of the leaves, but includes the tying together by the petioles in bunches of ten, each ten of which is again tied into shorter bundles, the wages paid amount to ₩12.50 at the rate of 50 centavos each per diem. These sticks are arranged in stacks which are usually turned once or twice.

One operation necessary to place the tobacco in condition to be offered for sale is the moistening of the leaves, which is done in order to make them elastic and prevent their breaking when they are smoothed and ironed; then they are tied together in bundles of one hundred leaves, as they were arranged on the stick. The stick is now removed and the leaves are fastened in three places, in order to prevent their becoming loose when these bundles, called "hands," are turned over. The laborers sit down on each of these hands while working on the next, and thus press them by the weight of the body. Supposing that this work can be done in one day by twenty-five women, and that these are paid 50 centavos a piece, which is a low estimate, the wages thus paid make up the total sum of ₩12.50.

The hands are again stacked and the stacks thus formed turned over twice or oftener in order to avoid rapid fermentation, which is liable to burn the tobacco. Supposing that the stacks are turned four times, which is generally done in order to give the leaves a dark chestnut color—each time this work is done by two men in two days; their wages, at the rate of 50 centavos each for eight days, amount to the total sum of ₩8.

The figures set forth in the table given further ahead are a low estimate of the expenses of the tobacco grower for 1 hectare of land under cultivation, and do not include the interest on ₱200, the value of 1 hectare of low land.

To ascertain the profit which the tobacco grower derives from his product we make the following calculations based on the maximum: Supposing that 10,000 plants have been transplanted on 1 hectare of land and twenty leaves have been taken from each—that is, twelve leaves of the main plant and eight of the two shoots which were left—the total number of leaves gathered from these 10,000 plants is 200,000. These being packed in bales containing forty hands of one hundred leaves each, we have just fifty bales. The price of the bale of tobacco, according to its grade, is determined and established by the custom and changes very seldom, and therefore it is customary in transactions and agreements regarding the sale of this article to make no mention of the price, which is supposed to be according to the tariff. The agreement is therefore limited to the classification and the quantity.

The prices paid for the several classes of tobacco leaves are as follows: First class, ₱14.25 per bale; second, ₱9; third, ₱4.12½; fourth superior, ₱2; fourth current, ₱1.50; and fifth, 50 centavos.

Supposing that the 200,000 leaves gathered give fifty bales of forty hands each, and that one of these fifty bales is first-class tobacco, three second class, six third class, twenty fourth superior, and twenty fourth current, and considering the fifth-class leaves as fourth class, in order to increase the value of the total production (although one would find the correct and true amount by ascertaining the number of bales at 50 centavos contained in the twenty bales classified as fourth current), we have the following estimate of receipts and expenses in the cultivation of 1 hectare of land:

Expenses.

Hire of 1 man and 1 carabao for two days for preparation of seed plot, at 50 centavos per diem for the man and the same sum for the carabao-----	₱2.00
Hire of 1 man and 1 carabao for twelve working days for plowing 1 hectare of land, at the rate of 50 centavos per diem for the man and the same for the carabao-----	12.00
Hire of 3 men and 1 carabao for five days for the transplanting, at 50 centavos per diem each-----	10.00
Wages of 4 persons for forty working days, for seeding and taking care of plants, at the rate of 31½ centavos each, five hours of labor being required each day-----	50.00

Expenses—Continued.

Hire of 4 men and 1 carabao and cart during nine days for gathering the leaves, at 50 centavos per diem for each person and the carabao	₱22.00
Wages of 4 women, at 50 centavos per diem each for nine days, for the selection, placing on the sticks, and hanging up for airing of the tobacco leaves	18.00
Wages of 4 women for three days, at 50 centavos per diem each, for stacking the sticks with the tobacco leaves after airing	6.00
Wages of 25 women for one day, at 50 centavos each, for the classification of the tobacco leaves and tying them up in "hands"	12.50
Wages of 25 women for one day, at 50 centavos each, for smoothing and tying them up in bundles	12.50
Wages of 2 women, at the rate of 50 centavos per diem each, for turning over the stacks four times, at two days for each time	8.00
Total expenses	153.00

Receipts.

Proceeds of the leaves harvested from 1 hectare of low land planted in tobacco, giving maximum estimates for both the number of leaves gathered (twenty leaves for each plant and two shoots) and the quality of the leaves, as follows:

First class, 1 bale	₱14.25
Second class, 3 bales	27.00
Third class, 6 bales	24.50
Fourth-class superior, 20 bales	40.00
Fourth-class current, 12 bales	18.00
Fifth-class current, 8 bales	4.00
	₱127.75
Raising the 8 bales given as fifth-class to the fourth-class current, we have an increase of	8.00
Balance in favor of expenses	17.25
Total receipts	153.00

As we have stated, the production of tobacco leaves on 1 hectare of land has been calculated at the maximum figure. We have given it as fifty bales, and therefore the number of leaves gathered must be 200,000, which is twenty from each plant. They rarely produce this number, because as not all the plants attain the same height not all can give this number of leaves, and, even if they would, it can not be avoided that some are spoilt or rendered useless. The most approximate estimate is fifteen leaves per plant, which reduces the number of the bales to thirty-six and one-half. The estimate is also high with regard to the classification, because it is not common that in a crop of fifty bales there are one bale of first

class or three of second class leaves. As to the proportion of the other classes this is frequently found in a like number of bales. So much about the cultivation of tobacco and its sale in the tobacco-growing pueblos of this province.

The tobacco growers having sold their product to the buyers, who are either agents for commercial houses established in Manila—some of them manufacturers and others merely exporters of this article—or dealers in tobacco who take it to Manila for sale there, both, in order to obtain profits, have to expend more work and money for the purpose of improving the quality of the tobacco, or of preserving that which it had when they bought it, and also for its packing for convenient and easy transportation.

This work is as follows: The "hands" of tobacco are stacked as they come in and all the sides and the tops of these stacks are covered with "bast" matting, in order to cause the tobacco to ferment and acquire a better color. These "mandalas" or stacks are turned twice or three times, according to the qualities of the leaves, because if these abound in gum it is necessary to see that they are sufficiently dry before they are packed. If this is neglected the tobacco, because of its being compressed, is liable to ferment and burn while packed.

The gum usually remains fresh if the tobacco grower, in order to save work, has not gone to the trouble of turning the stacks.

The tobacco being ready for packing, the dealer reassorts it as he sees fit, always endeavoring to classify it higher than he bought it, because if he did not do so he would lose money.

The reassortment being completed, the hands of tobacco are again stacked, the different classes being separated, and the packing for shipment commences. Each 3 quintals of tobacco is enveloped in two "bast" mats lying ready in a press. This press is usually of iron and handled by four persons, and the tobacco is compressed into a bale 1 meter and 10 centimeters long and from 70 to 80 centimeters broad and high. This bale is tied lengthwise and crosswise with rattan thongs before being removed from the press.

The packing being completed, the bales are either placed in the warehouse or carted away to vessels which take them to the port of Aparri, and there they are loaded on steamers and carried to Manila.

The expenses of the middleman for the improvement and packing of the tobacco purchased, the hauling from the warehouse to the river for transportation to Aparri, the discharging of the bales at

that place and the storage which has to be paid if there should not be a vessel for Manila in port, the loading on the vessel, the freight from Aparri to Manila, the marine insurance, the discharging and storage at Manila, the fire insurance and commission for its sale if it is not sold on board, are estimated at ₱7 for each bale of from $2\frac{1}{2}$ to 3 quintals.

The weight of the tobacco stands in direct proportion to its quality. First-class tobacco weighs more than second class, and so on successively, except in cases where leaves of higher grades have been classified lower on account of defects, in which case the weight of the inferior grade of tobacco is the same as that of the higher grade from which it came.

It is not possible to fix the weight of the bale of forty hands of tobacco with exactness, because of the different dimensions and quality of the leaves. The weight of the bale of forty hands ranges from 40 to 60 pounds in first-class tobacco, from 40 to 50 pounds in second class, and from 35 to 40 pounds in third-class tobacco. The weight of tobacco of the fourth-superior class is almost the same as that of third class, on account of the defective leaves from superior classes which it contains. The weight of the fourth-current class ranges from 30 to 35 pounds and that of the fifth class from 20 to 30.

When in a lot of 50 bales of tobacco one-third or a little less is made up of leaves of the superior classes (first, second, and third), the average weight per bale may be estimated at one-fifth of 1 quintal, and the 50 bales therefore weigh 10 quintals, which, if sold at ₱20 per bale, brings ₱200. However, the price of tobacco on the Manila market fluctuates according to the demand, and at present scarcely reaches ₱15 per quintal.

When the price of tobacco is low on the Manila market there is a scarcity of buyers of this article in this province, though the agents and buyers of the commercial companies who are engaged in purchasing tobacco from the planters remain. The lack of buyers greatly injures the tobacco grower, not because of a decrease in the price paid for his product, as the price is fixed and can not change, but because of the classification made of the tobacco in view of the competition, which, considering the great difference in the prices of the several grades, is more injurious than a decrease of prices.

I now conclude this humble report, or rather sketch, of the grow-

ing of tobacco in the Province of Cagayan (Luzon). It is full of defects and lacks technicality, but your benevolence will be able to fill these deficiencies, considering the fact that in writing it I had no other end in view than that of doing my duty, it being my desire to represent the precarious situation of the tobacco growers to the illustrious representatives of the great and noble North American nation here assembled.

Representative SCOTT. In this connection would it not be well to make an order that any additional statements or evidence which have not been submitted here which those representing these various industries may wish to submit, may go into the record after having obtained the permission of Commissioner Worcester or any other person whom he may designate?

The CHAIRMAN. You refer to sugar or tobacco or any other subject?

Representative SCOTT. Any subject we may designate.

The CHAIRMAN. Very well. Now, I want to say to our friends and American citizens that I am sure every member of this committee who came out here came with the desire to ascertain the facts and the necessities of the country, and what would be to the best interests of these people to better their condition in every walk of life, and any questions that may seem to indicate that we are trying to find out any man's personal business or the cost of his production and the prices is not put for that purpose; that is not what we are trying to get at, but to see if in any way we can help him and help the people of the Philippine Islands. I am sure that is the sentiment of every member of this committee. The discussion of the tobacco question is now closed, and we will take up the coastwise shipping subject.

SHIPPING.

Upon the taking up of the coastwise subject, Mr. John T. Macleod said he desired to make a few remarks.

The CHAIRMAN. Proceed.

Mr. MACLEOD. I am speaking in representation of the Manila Chamber of Commerce and the Ship Owners' Association of the Philippines, whose report and remarks are indorsed by the Filipino Chamber of Commerce, the Spanish Chamber, the Chinese Chamber, and approved by a good many members of the American Chamber of Commerce, most of whom have instructed me to argue for them,

with a view, not to repeating arguments and tiring the patience of the honorable gentlemen of the committee, but with a view to presenting to them the true condition of affairs here. Before touching upon the condition of the coastwise trade we wish to touch upon a few points leading up to it.

Mr. Macleod then read the following report:

Honorable Secretary of War, Senators, and Representatives, the Manila Chamber of Commerce having appointed Mr. Barry Baldwin, Mr. R. H. Wood, and myself as a committee for the purpose, we now beg to submit our report on the conditions and some of the wants of these Islands:

First. The country, generally speaking, is in a state of financial collapse. The agriculturists and merchants are passing through the worst crisis ever known in the annals of Philippine history. A series of calamities has contributed to bring the country to this deplorable state.

A state of war existed in this country practically from the beginning of September, 1896, until long after the inauguration of civil government on the 1st of July, 1900. The contributions for this war, voluntary and forced, ruined a large percentage of the natives. The farmers suffered more than any other class, because, besides being forced to pay large contributions, owing to disturbed conditions, they were unable to properly cultivate their lands. This was especially the case in rice and sugar districts. But what brought these districts to their final ruin was an epidemic of rinderpest, which made universal havoc among the cattle. This caused a ruinous loss to ranch owners and drained large sums of money from the country to import cattle; but these both sank into insignificance beside the loss to the farmer through the death of the carabao or water buffalo, the only draft animal in the Philippines available for plowing. The effect of this was that sugar exports fell to less than half of normal years during three or four seasons, while millions of pesos were drained from the country to import rice. In the year 1903 alone ₱25,000,000 worth of rice was imported. Tobacco and copras suffered to a lesser extent in the same manner. Hemp did not suffer so much because, requiring no cultivation, the natives cleaned it as a means of obtaining the ready money they were so badly in need of.

Consequent on this ruined state, the farmers have had to borrow money to live on, money to plant their crops and cultivate their

lands, and money to bring their harvests to market, so that almost the entire agricultural land throughout the Islands is mortgaged for more than its full value. Where the money has been advanced by the merchant or middleman who buys the produce the rate of interest has been 8 per cent, which is considered moderate for this country, but where the farmer has had to have recourse to other sources, the usurer has taken advantage to charge anything from 1 to 3 per cent per month, and the farmer has year by year sunk deeper into the mire.

As a natural sequence to the ruined state of the farmers, the merchants and middlemen who acted as bankers have lost many millions by bad debts, and have still many millions outstanding of doubtful recovery. This has naturally turned all their paper profits into real and actual losses, so that, generally speaking, the commercial firms are a great deal worse off to-day than they were five years ago.

Second. Following on conditions such as above described, the country was by no means prepared to meet a tax on land already burdened by debt. The people therefore naturally felt very sore when the territorial tax was imposed, to pay which they had in most cases to raise money at usurious rates of interest. There is a provision in the law governing this tax whereby the Government may order the sale of the land for overdue taxes, and we are under the belief that this has happened in several cases where the owners were unable to raise the money. We are strongly of the opinion that the imposition of this tax and mode of procedure has caused and is causing much of the distress now prevalent throughout the Islands. We therefore believe that it would be of the utmost benefit to the country if all the impounded lands be returned with clear titles to their original owners, and the territorial tax abolished or held in abeyance until such time as agriculture is again in a prosperous condition. Too much importance can not be given to the fostering and development of agriculture, which is the backbone of prosperity in these Islands, and all taxes that tend to hamper it at the outset should be abolished. Owing to the usurious conditions of the country, native produce can better afford to pay a 10 per cent duty on its export than an equivalent 1 per cent on the land before planting.

We beg to draw attention to the necessity of revising the present internal-revenue law. The tax of one-third of 1 per cent on sales

falls unequally, and in the case of sales of native produce there is a clear discrimination against the middleman, who is one of the most useful and necessary members of the mercantile community in his capacity of banker and agent for the producer.

We consider the present taxation to be excessive for the producing power of the Islands. The amount raised for Insular purposes alone is estimated at ₱23,000,000 for the present fiscal year. This does not include municipal and other taxes which we have not been able to estimate.

Mr. MACLEOD. (Interrupting the reading of the report.) While we all appreciate the great improvements that are going to be brought about and have been brought about by the American Government, and the policy they have been carrying out, the increase in the budget from what it was in the Spanish times—from ₱13,000,000, to approximately ₱30,000,000—has been too high; the country is not able to support it.

Senator FOSTER. Do you mean to say that the aggregate of taxation has raised from ₱13,000,000 to approximately ₱30,000,000?

Mr. MACLEOD. Yes; the Spanish budget of 1894–95, which was the highest ever known in normal times, was ₱13,579,900.

Representative HEPBURN. Did that include all of the exactions levied by the Spanish Government upon the people?

Mr. MACLEOD. Yes; I will give you a list of them. The following is taken from the report of the Schurman Commission, and all amounts are in Mexican currency:

THE ANNUAL BUDGET OF THE PHILIPPINES.

Expenditures.—It seems desirable to take the figures from the normal times preceding the outbreak of the rebellion against Spain, and for this reason the budget for the year 1894–95 is selected. The estimated expenses of the year were as follows:

1. General obligations	\$1,360,506.53
2. State	65,150.00
3. Church and courts	1,687,108.88
4. War	4,045,061.84
5. Treasury	823,261.95
6. Navy	2,450,176.77
7. Government (gobernación)	2,220,120.98
8. Public works and institutions (fomento)	628,752.46
Total	13,280,139.41

This is the amount which the revenues were required to meet, but before exhibiting the corresponding estimate of revenues it will be instructive to

analyze some of the items embraced in the eight categories of expenditures just given.

Items of expenditures.—Under the first head—general obligations—it appears that of the \$1,360,506.53 specified the sum of \$118,103 was spent on the colonial department and connected branches in Madrid; \$70,822.73 on the colony of Fernando Po, on the coast of Africa; \$718,000 on pensions and retiring allowances, and \$367,000 on interest on deposits. Of the \$65,150 devoted to the State nearly the whole amount was used toward defraying the cost of Spain's diplomatic and consular service in the Orient, namely, in China, Japan, and the neighboring French and British colonies. Under the third head \$1,687,108.88 is charged to church and courts; of this amount \$460,315.24 was spent on the courts and the balance on the church, the two largest items being \$625,860 for the parochial clergy (whose salaries were \$500 or \$600 or \$800 or in a few cases \$1,200, while the four bishops had each \$6,000, and the archbishop \$12,000) and \$419,680 for materials for the ecclesiastical establishments (\$360 or \$500 or \$600 or in a few cases \$800 being allowed to each parish). War, it will be seen, ate up nearly one-third of the revenues, and of the enormous sum (\$4,045,061.84) provided for that department the salaries of the officials of the administrative bureau consumed \$771,043.25, while \$1,334,484.32 was spent on materials for the army and \$1,997,649.27 on that body itself. (The army numbered 13,291 individuals, of whom only 2,210, mostly of the artillery, were Europeans, the rest being natives.)

Under the fifth head is the treasury, with \$823,261.95, of which \$232,796 was for the maintenance of the central offices of the intendency-general, the central treasury, and the comptrollership, and \$216,244 for the provincial administrations of the public treasury. The navy comes sixth in the list, with \$2,450,176.77, of which \$1,147,540.42 was for materials and \$1,349,504 for services. The seventh head is government, with an expenditure of \$2,220,120.98, of which \$272,606 was for the salaries of the governor-general and the provincial governors and commanders, \$843,735.91 for the civil guard (composed of 3,482 individuals), \$969,921.92 for the maintenance of postal and other communications, and \$88,555 for the general directorate of the civil administration. The last head is public works and institutions, costing \$628,752.46, of which \$141,175.50 was for special institutions of instruction, chiefly in Manila; \$109,690 for public works (mostly in salaries); \$142,365 for the general inspection of mountains; \$15,575 for mines; \$108,570 for the agricultural school and stations, and \$37,462 on maritime navigation and light-houses.

Annual revenue.—The receipts of the general government in the Philippines were in 1894-95 as follows:

1. Direct taxes.....	\$6,659,450
2. Indirect taxes (customs).....	4,565,000
3. Receipts from monopolies.....	1,112,850
4. Lotteries	873,000
5. From state property.....	195,500
6. Estimated petty receipts.....	174,100
 Total	 13,579,900

Items of revenue.—Of the proceeds of direct taxation, which made up one-half (\$6,659,450) of the total revenue of the general government, the sum of \$4,586,250 was collected from cedulas, or identification certificates, of which every Filipino was required to secure one annually, the cost ranging from \$1 for the tenth class to \$5 for the fifth class, \$15 for the third, and \$25 for the first class. Next to the cedulas the most productive tax was that on commerce and industry, which netted \$1,323,000. Then followed the poll tax on the Chinese with \$482,800, after which came the tax on urban property with \$110,400. The balance was made up by \$12,000 in tribute from unconquered tribes, \$35,000 from a 10 per cent tax on railway tickets, \$70,000 from a 10 per cent assessment on certain salaries, and \$40,000 from a 25 per cent assessment on the premiums for the collection of urban and industrial taxes, cedulas, and the Chinese poll tax.

The indirect taxes or customs receipts, which aggregated \$4,565,000, were composed of \$3,800,000 from duties on imports, \$430,000 from duties on exports, \$300,000 from clearance dues, and the remainder (\$35,000) from fines, etc.

Under the third head, of receipts from monopolies, stand \$602,300 received for the opium contract and \$510,550 from stamps and stamped paper, making together \$1,112,850.

The government lotteries produced \$873,000, all but \$4,000 from the sale of tickets.

The receipts from state property (\$195,000) include rents or products as well as sales. The largest single item was \$122,000 from forest products; the next, \$45,000, from the sale of lands, and \$25,000 from the sale of buildings.

The sixth and last source of revenue is uncertain. Of the \$174,000 estimated from this source, \$100,000 was expected from the coinage of money, \$13,000 from what is described as indeterminate resources, \$9,000 from the sale of military and naval properties, and \$30,000 surplus from the secret or special-service (*servicios cerrados*) fund (out of which, indeed, every one of the eight divisions of expenditure described above had a liberal allowance).

Senator FOSTER. They had no schools here then.

Mr. MACLEOD. Yes, sir; they had. The Malay race in the Philippine Islands has given proof that they had very good schools, as compared to those provided by the British in their colonies and those in the other colonies of the Malay Archipelago.

Senator FOSTER. But the arrival of the Americans here found most of the natives illiterate. The American policy is not to educate a small proportion, but to educate all of the natives.

Mr. MACLEOD. We all agree with that. None of us object to the education of the native, but what we say is that we are going too fast along these lines, and that the country is not in financial condition to stand it.

Representative COCHRAN. You say that the advance is from ₩13,000,000 to ₩30,000,000?

Mr. MACLEOD. We can not get at the total revenue. The estimated revenue from the Insular taxation is ₩23,000,000, and we suppose that with the municipal and other taxes it must approximate ₩30,000,000.

Representative COCHRAN. Have you a statement of the taxation under the American administration? Is it explained by public improvements or anything of that sort?

Mr. MACLEOD. No, I have not a statement of the various increases. We know that the salary list has been increased.

Representative COCHRAN. How much has that been increased?

Mr. MACLEOD. I think that that is more to-day than the whole of the Spanish budget.

Representative COCHRAN. Do you mean that the salary list to-day is more than the entire budget of the Spanish Government?

Mr. MACLEOD. I have not the figures here, but I believe from reading a local paper that published the salaries that it aggregates more than the entire Spanish budget.

Representative COCHRAN. Would it be possible for you to obtain a statement showing the purposes for which this taxation is imposed?

Mr. MACLEOD. That is very hard to get, because the Auditor has not given out the list, and so far, whenever we have asked for a note of expenditures, while we have been able to get partial notes, we have not been able to get the whole thing.

The CHAIRMAN. The better plan would be to get it from one of the Commissioners—the one who has charge of that department.

Representative COCHRAN. This gentleman has made a comparison, and I thought he should be able to itemize it.

Mr. MACLEOD. As to the estimate of ₩23,000,000, I would say that I got that from Commissioner Ide, so it is absolutely correct.

Representative COCHRAN. I have no doubt whatever as to that, but I want to ascertain, if possible, the explanation for the increase. If the increase in salaries be the explanation, of course that is what I want to know.

Mr. MACLEOD. That is part, not all. We have not been able

to get at the figures. We hope we shall have a chance of getting the figures later on, when the Auditor publishes a report.

Representative COOPER. Is it not a fact that a great deal of money has been spent on roads?

Mr. MACLEOD. A great deal of money has been spent on roads, and of course road making in this country is very difficult.

The CHAIRMAN. Let the gentleman go ahead with the reading of his paper.

Mr. Macleod continued the reading of his report, as follows:

Third. Following the ruined state of the country and the present heavy taxation, it would be the last straw on the camel's back if the law known as the Frye bill were allowed to go into effect on the 1st of July, 1906. If the carrying trade between here and the United States be limited to American bottoms it simply means that the price of hemp will go down \$1 per bale for every dollar that freight goes up. It means that our sugar, already handicapped by being so far away from the principal consuming markets, will certainly not go to the United States; and it means the death stroke to the importation of American goods into these Islands. The object lesson of the Navy Department's effort of the other day, to transport all its coal to these Islands in American bottoms, must not be forgotten. After profusely advertising for bids the Department was able to contract for a portion of the transportation in American bottoms at 40 to 50 per cent above foreign tonnage rates, and, for want of sufficient United States tonnage, in the end was obliged to transport the major part in foreign bottoms.

Now, just so sure as the carrying trade is limited to American bottoms, freight rates are bound to go up to such an extent that foreign goods coming by the cheaper foreign lines, and under an equal customs tariff, would command the market. American goods could only be brought in, with any chance of competing, by being bought through, or rather from, a Hongkong firm. That is, a Hongkong firm might import American goods on any bottom to Hongkong, and the firm here buying the goods could bring them to Manila on any bottom. This means a commission to a Hongkong firm and a diversion of trade to the detriment of the port of Manila. That picture of Manila as the principal port in the Orient, so eloquently portrayed by General Corbin in a recent article, won't go together with the Frye bill!

In these modern days, when in all parts of the world everything

is being done to make the way of the traveling public easy, the enforcement of section 2 of the Frye bill would be a distinctly retrograde movement. Besides the shadow of police surveillance implied in the penalty of \$200, the traveler is distinctly handicapped in the choice of routes and way ports. The result would be as in the freight—a ticket to Hongkong only.

We can not too strongly impress upon the honorable Secretary of War, Senators, and Representatives here present the urgent necessity of their taking united action, on their return to Washington, to ask that the Frye bill be entirely revoked, with the sole exception of leaving the legislation of our local coastwise trade in the hands of the honorable Commission, in whose honest intentions for the best interests of these Islands we have every confidence.

Mr. MACLEOD. I am now ready to answer any questions that you gentlemen may care to ask.

Representative COCHRAN. In regard to your opposition to the Frye bill: You say that goods coming from the United States into Manila would be taken to Hongkong and there transshipped. Am I correct in that interpretation of your words?

Mr. MACLEOD. The goods could not be transshipped by the same merchant, but they would have to be transshipped from one firm to another at Hongkong.

Representative COCHRAN. And the cost of transshipment is almost equal to the cost of transportation.

Mr. MACLEOD. Yes; the cost of transshipment in Hongkong is very nearly the same as the cost of transportation across the Pacific.

Representative COCHRAN. Consequently, the net result would be an increase in the freight rates.

Mr. MACLEOD. Yes, in any case; but the goods would not go to Hongkong in American bottoms; they would go there in cheap tramp steamers.

Representative COCHRAN. I understand. But the cost is double, and to that extent the American goods would be at a disadvantage.

Mr. MACLEOD. Yes; the foreign goods would come in with an advantage over American goods.

Representative COCHRAN. It would be cheaper in any case to ship goods direct, then.

Mr. MACLEOD. No; the cost of the freight to Hongkong in a tramp steamer and transshipment at Hongkong to another tramp

steamer would be cheaper than direct shipment in one of the large steamers running under the American flag. The tramp steamers would carry goods at about half the price of the large steamers across the Pacific, and the tramp steamers between Hongkong and Manila would carry goods for about ₩3 per ton, or \$1.50, gold, and with large cargoes they could make direct transshipment at Hongkong, as the conditions in the harbor at Hongkong are very good for direct transshipment.

Senator LONG. The tables connected with that report will be printed, will they?

Mr. MACLEOD. That is the Spanish budget. It is only at hand in case of questions.

Senator LONG. But it can be printed with your statement; it would be much more convenient.

Mr. MACLEOD. I can hand in the statement if desired. Now, we want to get some statistics from the custom-house. Mr. Shuster has promised them to me, to show how much has been carried in one year on American bottoms and how much has been carried on foreign bottoms into the port of Manila. When they were arguing about the Frye bill before, we had some little data on this. The whole number of American vessels available is about thirty, I think.

Representative COCHRAN. You have spoken of the increased expenditures under the American administration as compared with those under the Spanish administration. Is it not true that \$1,000,000, gold, which is ₩2,000,000, was taken from the Insular Treasury and used in building roads?

Mr. MACLEOD. I think more than that.

Representative COCHRAN. And is it not a fact that \$2,000,000, or ₩4,000,000, has been taken out for harbor construction?

Mr. MACLEOD. Yes; but that was also taken out in the Spanish times by a port tax.

Representative COCHRAN. And then there was \$650,000 for the taking of the census, which was ₩1,300,000, and \$650,000, gold, for the suppression of the cholera epidemic. That is all very important and very necessary.

The CHAIRMAN. And these expenditures will not occur every year.

Representative COCHRAN. They will not occur every year, except the harbor works.

Mr. MACLEOD. We only want to say that the country can not bear the expenditures unless we have income also.

The CHAIRMAN. Then your opinion is that we are improving the country too rapidly—that we are going at too swift a pace?

Mr. MACLEOD. Yes, sir; that is it exactly.

Representative HEPBURN. I would like to ask you what is the entire interisland tonnage of the Philippine Islands, both American and foreign.

Mr. MACLEOD. There are in the interisland trade 40,000 tons, steamer bottoms, and the whole thing is about 125,000 tons.

Representative HEPBURN. Does that include foreign bottoms?

Mr. MACLEOD. There are no foreign bottoms here. We are considerably hampered at one time by Act No. 520 of the Philippine Commission, by which foreign vessels were allowed to compete with our vessels.

Representative HEPBURN. In case the Frye bill were put into effect on foreign and coastwise commerce, what is your estimate of the amount of tonnage necessary to economically and effectively conduct the business of the Islands?

Mr. MACLEOD. There are two parts of the Frye bill. The Frye bill has left in the hands of the Commission here the legislation as to the local coastwise traffic, so the Frye bill does not affect that. It is what they call the coastwise trade, from San Francisco to Manila and from New York to Manila, that is affected by that bill.

Representative HEPBURN. I included that in the term "foreign commerce."

Mr. MACLEOD. I think more than 140,000 tons is what the quartermaster said they had available for the Department of War for ocean traffic. They informed a committee a couple of years ago that they had more than 140,000 tons ready. That included ships building—the *Manchuria*, *Mongolia*, *Minnesota*, and *Dakota*; so what I have here in my statement as available is some 157,000 tons net of known tonnage and a small amount of unknown tonnage. The statement of 140,000 tons is just a little more than the total tonnage in our local coastwise trade here.

Senator FOSTER. Is that all in the hands of one company?

Mr. MACLEOD. No; for instance, there is the American-Hawaiian Company. They have nine steamers—the *Texas*, *Alaskan*, *Arizonian*, *American*, *Hawaiian*, *Oregonian*, *Californian*, *Nebraskan*, and *Nevadan*.

Senator FOSTER. Who else is there?

Mr. MACLEOD. The Pacific Mail Company, which owns the *Manchuria*, *Mongolia*, *Siberia*, *Korea*, *China*, *City of Peking*, and *Peru*, has about 38,000 tons. Then the Boston Steamship Company has the *Shawmut*, *Tremont*, *Lyra*, *Pliades*, and *Hyades*, aggregating about 22,000 tons. Then there is the Atlantic Transport Company, with the *Massachusetts*, *Maine*, *Mississippi*, and *Missouri*, aggregating about 23,000 tons. Then the Great Northern Steamship Company, with the *Minnesota* and *Dakota*, aggregating about 26,000 tons. Then there are the steamships of different owners, the *Minnetonka*, *Minnewaska*, and the *J. L. Luckenbach*, aggregating about 10,000 tons; and the *L. Luckenbach* and *Lansing*, of unknown tonnage. These are all under the American flag.

The CHAIRMAN. If there are no more questions, the coastwise shipping discussion will be closed.

Representative SCOTT. I move that at half past 9 to-morrow morning we have an executive session with the members of the Commission.

(The motion, upon being put to a vote, was carried.)

The CHAIRMAN. This meeting will stand adjourned until half past 9 to-morrow morning, when the committee and the members of the Commission will meet in executive session.

HEARING AT ILOILO.

SUGAR.

ILOILO, P. I., *August 15, 1905.*

(After the ceremonies of reception held in honor of the visiting party, an opportunity was given the sugar planters present to be heard in regard to the conditions of the sugar-growing industry.)

Señor Juan de Leon, municipal president of Iloilo, presented the following statement:

MEMORIAL TO THE HONORABLE THE SECRETARY OF WAR, PRESENTED BY THE AGRICULTURAL ASSOCIATION OF PANAY AND NEGROS.

ILOILO, *August 15, 1905.*

Mr. SECRETARY: In the name of the Agricultural Association of Panay and Negros, a society incorporated in this city in 1903, whose members are all Filipino planters, I have the honor to petition that you be pleased to lay before the Congress of the United States the following considerations:

The great agricultural crisis from which the country is suffering requires urgent measures on the part of Congress in order to lift the country from the depression which would otherwise lead to the ruin of its most firmly established interests.

The association is of the opinion that the Congress of the United States should take the following measures for the benefit of the Filipino people:

ABOLITION OF THE DINGLEY TARIFF.

The decline in prices of Philippine sugar is due to the lack of consuming markets that by a steady demand would raise prices to standards remunerative to the producer. The only markets at present importing Philippine sugar are China and Japan, which countries exercise a monopoly harmful to our interests for the reason that all of our production is subject to their limited wants.

It is evident that with a larger number of consuming markets, facilities would exist for marketing our products under advantageous conditions to the producer, so that the American market, if free entry were allowed to our sugars, would visibly influence Philippine sugar prices in reaching the true rate that they deserve under the economic law of supply and demand.

From data at hand the minimum expense of production, without counting interest on capital, rent, and commissions, is 2.82 centavos per pound in Iloilo, equivalent to ₱3.88 per picul, and, including everything not excepting deterioration and loss of cattle, the cost per pound is 3.76 centavos, equivalent to ₱5.18 per picul. If we add the expense and duties of exportation of 0.21 centavo and the warehouse expense and insurance at Iloilo amounting to 0.03 centavo, we have a pound of sugar costing 4 centavos, f. o. b. Iloilo. Then adding 0.24 centavo for freight to New York, 0.08 for insurance, and 0.88 for duty, and we have 5.20 centavos per pound for sugar, f. o. b. New York, equivalent to 2.60 cents, gold, without counting profits, interest, depreciation, and commission. Now, we have 2.60 cents gold per pound for our sugar in the following proportions: 1/8 No. 1, 88°; 2/8 No. 2, from 84° to 85°, and 5/8 No. 3, from 78° to 80°. Centrifugal sugar in New York, according to latest quotations, costs 4½ cents per pound, but this is an exceptional price known this year only, owing to the shortage in the beet crop. During former years the price fluctuated between 3½ cents and 4 cents a pound. At this price, Philippine sugar, which is of inferior quality and which brings about 1 cent, gold, less than centrifugal sugar, could not be sold for more than 3 cents, gold. As its cost is 2.60 cents, gold, without counting interest, profits, shrinkage, and commissions, these latter would bring it up to over 3 cents, gold, per pound. Thus it is absolutely impossible for our sugar to hope to enjoy the advantages of that vast market, as is clearly proven by the fact that our shipments of sugar to the United States have been gradually decreasing. In 1900 but 2,000 tons were shipped; in 1901, 5,100 tons; in 1902, 2,550 tons; in 1903, 3,192 tons; and in 1904, 2,892 tons. All of these last shipments were made on speculation in the expectancy of the future repeal of the tariff, and have resulted only in losses to the shippers. This year, owing to shortage in the beet crop, as stated, sugar was quoted in New York at 5½ cents per pound; and it was then with the hope of a further rise that orders were

received here for shipments of sugar to that market; but as soon as prices declined to 4½ cents, the latest quotation, all purchases there were suspended, proof that when centrifugal sugar is even as high as 4½ cents the risk of sending Philippine sugar is too great to be taken.

The hope that the precarious condition of the Philippine planters may improve lies in the removal of the tariff barriers against our sugar in American ports, for, considering the cost of this article in New York, deducting freight, insurance, and commission, a fairly remunerative profit will always be reaped by the producer.

But this is not the only advantage that would be obtained by the repeal of the Dingley tariff on Philippine sugar. Its immediate effect on the market of this country would be that the rate offered by the American market would serve to regulate that of the Chinese and Japanese markets, which are the natural markets for the Philippines on account of their proximity to the Islands. The fear that our product would flood the American market upon the removal of the tariff barriers against it is groundless. Besides the fact that all of the Philippine product would not go to the United States, as the neighboring markets of China and Japan would compete in the demand for our sugar, the area under cultivation in the Philippines, even were it doubled, would never produce a sufficient supply for a market that consumes 2,700,000 tons of that article per year.

As to the supposition that we would flood America with sugar, that is an absurdity. It has been proven that our largest production—in 1893—amounted to 264,000 tons, and it is also a well-known fact that in the years in which we produced over 200,000 tons part of our crop was left in the ground and not utilized, owing to the lack of labor. This happened before the war, the rinderpest, famine, plague, and a thousand other calamities fell upon us; so that if we left our cane unharvested at that time, when we had more laborers and a sufficient number of cattle available on the estates, now that we have fewer hands to work, a scarcity of cattle, and no money, how can we flood the largest sugar market in the world? With the resources left to us, supposing that the rinderpest entirely disappears, it would be impossible for us, however great our efforts, to harvest 100,000 tons annually; and in case the tariff is abolished and no further calamities afflict us, we would need, supposing we were able to get the capital, at least fifteen years to reestablish our industry and produce the 200,000

tons annually that we formerly raised. Even if modern machinery is brought here, it would take at least five years to establish and install it, and adding to these five years fifteen years which would be required to increase our production from 100,000 to 300,000 tons, it would take twenty years for us to produce an additional 200,000 tons annually. The value of the machinery to produce 200,000 tons is estimated at \$20,000,000, gold, so that the supposition that we would flood the American market is an illusion. However, taking it for granted that we will produce 200,000 tons twenty years hence, could we influence conditions in the American market with this insignificant production? In twenty years the shortage in the American production, instead of being nearly 2,000,000 tons, will be from 4,000,000 to 5,000,000 tons. How can we flood such a market with our small production?

It must be taken into account, moreover, that the larger part of our sugar will naturally find its way to China and Japan. Statistics show that those countries buy more each year, and if the increase in consumption in China and Japan runs parallel with that of the United States, or is even half as great, very little of the 200,000 tons would be left to market in the United States—not enough, certainly, to be able to say that we would flood that sugar market.

There is no reason, therefore, to prevent the enactment of the Curtis bill, and Congress will be acting justly and in accordance with the legitimate demands of this country by granting its products free entry into the ports of America.

AGRICULTURAL MORTGAGE BANKS.

A great difficulty stands in the way of the establishment of these credit institutions in this country. There are no capitalists here to undertake such an enterprise, or at least the few which we have prefer to employ their money in the making of usurious loans, which is a more lucrative business for them.

The idea that the Government should use its funds to establish these banks has many times been advanced—an idea that can not be put into practice, however, because it is alleged to be contrary to the principles of American administration, aside from the fact that the Insular Treasury would require large sums to establish banks in all of the provinces of the Archipelago. The necessity for a class of banks that will advance money at a moderate rate of interest to owners of country lands is evident, as the conditions

imposed by the Philippine money lenders are insupportable and absorb all of the profits which the farmer may obtain as the result of his labor. Hence the fact that the majority of the property owners have their estates eternally mortgaged without hope of freeing them on account of the usurious interest, which, multiplying annually, through successive accumulations finally results in the transfer of the property to the creditor. Under such irritating impositions, it is impossible for the farmer to sever the bonds of his humiliating condition of dependency upon usurious capital, and consequently he does not extend the area under cultivation for the purpose of increasing his aggregate production, but only tills the land he is able to with the small resources at his command, unless he is willing to run the risk of being dispossessed of his property at the end of a few years.

In view of the difficulties in the way of the establishment of mortgage banks by the Government itself, we believe that capitalists should be induced to establish them by Congressional legislation which will guarantee a profit for at least the first few years of their existence upon the amount invested, in the same manner as was done by the provisions of the act relative to the construction of Philippine railroads. The law enacted for this purpose, however, should fix certain limitations, in order that the advantages accruing to the agriculturist shall be positive when he finds himself compelled to have recourse to these banks, and that the latter may not be converted into a means of gradually despoiling the farmers of their lands.

THE FRYE BILL.

Until the tariff barriers against the introduction of our products into the United States shall have been removed, it will be harmful to the interests of this country to enforce the Frye bill, enacted by Congress. The immediate result of its operation will be the monopoly of the carrying trade to the United States by American shipowners, and it is obvious that all efforts to establish closer mercantile relations between American and Philippine ports would be fruitless. Hence the operation of this law would be prejudicial to the commercial prosperity of this country.

We would beg that you give your valuable support to these petitions before Congress.

Respectfully,

JUAN DE LEÓN, *President.*

J. LOPEZ VITO, *Secretary.*

Secretary TAFT. Will you ask Judge De Leon how much experience he has in the planting of sugar?

Señor DE LEON. We were the owners of sugar plantations in the barrio of Mandurria of this municipality, but were obliged to close them down. At the present time, however, we are the owners of large sugar plantations on the Island of Negros, which are conducted by our employees.

Secretary TAFT. Are you familiar with the methods of cultivation in both the Provinces of Occidental Negros and in Iloilo?

Señor DE LEON. Yes, sir.

Secretary TAFT. Are you familiar with the amount per ton of sugar that a hectare of sugar land in the Island of Negros will produce?

Señor DE LEON. On an average a hectare will produce two and one-half tons of sugar—except, of course, very rich and fertile lands—but I have given the average.

Secretary TAFT. Where are those rich and fertile lands?

Señor DE LEON. Virgin land; that is to say, land that is taken from the forest, cleared, and put into cultivation will as a usual thing give a higher crop than I have mentioned.

Secretary TAFT. What will these rich lands clear for the first five years?

Señor DE LEON. Well, perhaps a hectare may produce as much as 3 or 4 tons.

Secretary TAFT. Are there any lands in Negros which will produce 5 tons to the hectare?

Señor DE LEON. There possibly may be lands which will produce that quantity, but the sugar would be of a very poor quality. It would not be a white sugar, but one that would contain a large percentage of water. As a general rule the sugar produced from fresh, virgin land is not a dry sugar, but one that contains a considerable amount of water.

Secretary TAFT. Now, in reference to the planting upon these fresh lands. How many ratoon crops can they get?

Señor DE LEON. I can state with regard to our sugar estate in the barrio of Mandurria of this municipality that we were obliged to take it out of sugar and plant it to rice, for the reason that we found the land would not only not produce a ratoon crop but gave us such poor returns even upon plantings that it did not pay us to continue the cultivation of sugar upon it.

Secretary TAFT. That is, they had to let the land lie fallow for a year?

Señor DE LEON. Yes, sir; that is it.

Secretary TAFT. Well, a ratoon crop, as I understand it, is a crop obtained from a previous planting of sugar; that is, that they do not plant a new crop, but rely upon the old cane to sprout again.

Señor DE LEON. In the Visayan we call that a "kala-anan" crop. By this term we understand the crop that will grow from the roots of the cane left in the ground, and as a general rule such a crop is not as good as a new planting. Furthermore the amount of work necessary in cultivating such a crop is the same as that required in cultivating a new crop.

Secretary TAFT. Well, I understand Judge de Leon is at the head of the Sugar Planters' Association in these Visayan Islands.

Señor DE LEON. Yes, sir.

Secretary TAFT. Now, I want to ask him with reference to the ratoon crops: What we want to know is the facts, and we have been advised from various sources that the facts are different from those we received at Manila with reference to the product of ratoon crops. Now, I do not refer to individual instances, but to the general rule in the Province of Occidental Negros. Is it or is it not the general practice to plant one crop, and then from that planting to reap two ratoon crops—two volunteer crops?

Señor DE LEON. As a general rule, the practice is to make a new planting every year, but there are some exceptions where persons who are unable to purchase the new sprouts (that is, the tops of the cane used in making the planting), allow a ratoon crop to grow from their old plantings. In such cases, however, the additional crop is not as good in yield as the first one, and it seldom pays to do this. They only do it when they have not more money to make a regular planting.

Secretary TAFT. Do you know the Yulo estates in Negros?

Señor DE LEON. Yes, sir.

Secretary TAFT. Now, is the Yulo family, in cultivating its estates, in the habit of taking one or two ratoon crops?

Señor DE LEON. I do not know. I have not heard. It is possible that upon some of their land they get ratoon crops, but as I have already stated, these crops are not as good in quality, and it is only upon very good lands that this can be done.

Señor PEDRO REGALADO. I am a member of the Yulo family.

Secretary TAFT. Well, they have forty-five estates amounting to about 15,000 acres in the Binalbagan Valley, have they not?

Señor REGALADO. In the Hinigaran Valley.

Senator SCOTT. Will the gentleman give his name?

Señor REGALADO. Pedro Regalado. I am one of the Yulo family.

Secretary TAFT. You are familiar with the methods used in planting crops upon those estates?

Señor REGALADO. Yes, sir.

Secretary TAFT. What is their practice upon those estates as to ratoon crops?

Señor REGALADO. In the majority of the estates of the Yulo family in the southern part of Negros new plantings are made every year. They are made annually. They have lands situated in the district of Isabela that are the best lands in that region.

Secretary TAFT. In the Binalbagan Valley?

Señor REGALADO. A little higher up. On these Isabela estates it is the practice to plant every two or three years; never more than three years. But a ratoon or "kala-anan" crop gives a less yield than they receive from a new planting. There is a difference of about 30 per cent between the yield of a ratoon crop and the yield of a new planting. Then there is a further reduction of 30 per cent every year, so that for the third year there is a difference of that amount between the crop received and the crop for the second year.

Secretary TAFT. Now, with reference to these Isabela estates, which I believe he states are the best the Yulo family have—how many tons of sugar does that land produce annually?

Señor REGALADO. Some 5 tons per hectare.

Secretary TAFT. That is the Isabela crop?

Señor REGALADO. Yes, sir.

Seretary TAFT. Is there not land in the Province of Negros that will produce more than that per hectare? *

Señor REGALADO. No, sir; there is not.

Secretary TAFT. Well, now, to come back to the "kala-anan" crop. He says the first year will produce 5 tons per hectare. What will the second year produce on a "kala-anan" crop?

Señor REGALADO. The second crop will be 30 per cent less than the first crop and the third crop will be 30 per cent less than the second crop. The yield of course depends a great deal upon the

weather. For instance, this year the crop has been excellent, but some years it has been very poor.

Secretary TAFT. Now, I would like to ask what the average production of the other land of the Yulo family is.

Señor REGALADO. About two "lacsas" per hectare. A lacsas is approximately 30 piculs, so that makes 60 piculs per hectare.

Secretary TAFT. That would be about 4 tons.

Señor REGALADO. Yes; it is a little less than 4 tons to the hectare.

Secretary TAFT. Then he says that the rest of the Yulo land produces less than 4 tons to the hectare?

Señor REGALADO. Yes, sir; less than 4 tons.

Secretary TAFT. How much of that land do they grow rattoon crops upon?

Señor REGALADO. About one-tenth of the land is cultivated to rattoon crops.

Senator NEWLANDS. Mr. Secretary, will you please inquire how many hectares of land produced more than 4 tons. He stated that some of the Yulo land would do better.

Secretary TAFT. Yes. What is the size of the Yulo Estate which produces more than 4 tons?

Señor REGALADO. About 400 hectares.

Representative COOPER. That is about 1,000 acres.

Senator NEWLANDS. Mr. Secretary, would you inquire about the price paid to the producers here, in Hongkong, etc.?

Secretary TAFT. Yes, sir; in a few minutes. I want to finish this line of questions first. Ask him how far in the purchase of modern machinery the Yulo family have gone.

Señor REGALADO. Of some forty estates that belong to the Yulo family there are fifteen estates which have steam sugar mills.

Secretary TAFT. Do they have the best modern machinery there?

Señor REGALADO. No, sir; they are machines which are about fifteen years old.

Secretary TAFT. Does he know how large a percentage of sugar they get from the cane?

Señor REGALADO. About 60 per cent.

Secretary TAFT. About what price does the planter get in Iloilo to-day from the merchants or the exporters?

Señor REGALADO. The nominal price to-day is ₱5.80.

Secretary TAFT. What is the actual price?

Señor REGALADO. As there is a scarcity of sugar here, they pay even a little higher at the present time. It depends upon the demands of the shippers.

Senator NEWLANDS. ₱5.80 for what?

Señor REGALADO. All quotations given are for piculs of 137½ pounds.

Secretary TAFT. Mr. Loud has reduced that to \$2.14, gold, per hundred pounds. Now, what price do they get in Hongkong?

Señor REGALADO. I do not know the present price in Hongkong.

Senator NEWLANDS. Is there anyone here that can tell us what it is?

(No reply.)

Secretary TAFT. How much does the planter get out of it? In other words, what are the expenses for delivery, warehousing, etc., before he sells?

Señor REGALADO. Well, it depends upon the location of the estate, but it costs on an average for the planter to place his sugar in Iloilo ₱4.80 per picul. That does not include the expenses of commission, insurance, and freight.

Secretary TAFT. Well, what we want to know is this: For instance, he sells a picul of sugar for ₱5.80 to be delivered here. Now what are his expenses in producing that sugar and laying it down here?

Señor REGALADO. In my own case, the cost of production with the sugar laid down in my warehouse, is ₱4.80 per picul, and then you must add 40 centavos per picul, which you can figure as the cost of the three items of commission, insurance, and freight to Iloilo.

Secretary TAFT. It costs him laid down in his own bodega or warehouse ₱4.80 per picul?

Señor REGALADO. Yes, sir; that is correct.

Secretary TAFT. Then you add 40 centavos more to lay it down in Iloilo?

Señor REGALADO. Yes, sir; and in many cases a great deal more.

Secretary TAFT. Well, that makes ₱5.20, and he sells it to-day for ₱5.80.

Señor REGALADO. That is true. It costs me to-day to lay it down in the Iloilo market ₱5.20.

Secretary TAFT. And he gets ₱5.80. That is a profit of 60 centavos on a picul.

Señor REGALADO. Yes, sir. I figure it at ₱9.60 per ton. There is a profit of 60 centavos on each picul, and there are 16 piculs to the ton. That makes ₱9.60 per ton. But I wish to emphasize that this is a very extraordinary and unusual price, and that the usual price in this market is ₱4.50 a picul.

Senator NEWLANDS. Mr. Secretary, is there anybody here who can state the price in Japan and China for this sugar?

Colonel EDWARDS. There is only about 10 per cent duty on it. There has been no sugar sent to Japan since the war broke out.

Senator FOSTER. Will you let me ask a question? I have always understood that cane was a natural product of the Tropics, and history shows that in every country where cane is raised in the Tropics it reproduces itself for from two to six, seven, or ten years. Now, what are the conditions in these Islands as to soil or climate which prevent the cane from reproducing itself in the shape of rattoon crops? Why is it that the cane in these Islands will not rattoon for one or two years or more?

Señor REGALADO. Our experience here has been that we have never been able to get more than a second rattoon crop, and the planter has found that even if he puts in the necessary work to cultivate a rattoon crop for the fourth year the quality of the sugar is not such as to pay him for his labor. It descends in value yearly so that they never get more than the third crop.

Senator FOSTER. I want to know why this is—why it will not reproduce. In our country it is the impression that the cane will reproduce itself for four, five, six, or seven years, just as in Cuba, Hawaii, and other tropical lands, and we simply want to get at the facts. If it will not do this, why not? Is it due to the climate, soil, manner of planting, or what?

Señor REGALADO. It has been found here in practice that rattoon crops are worse and worse every year, and this is owing to the methods of cultivation used, which are not as scientific as they should be, and to the lack of proper agricultural implements with which to work. With the methods we use we find it impossible to get more than a third crop. After that it comes up in a shriveled condition. Therefore I attribute the fact to lack of experience in the planter in the first place and to lack of proper implements in the second place. If you desire any further information in regard to this subject I refer you to Señor de Leon.

Señor DE LEON. I think that the reason we are unable to get

a succession of rattoon crops in the Philippine Islands is due to climatic conditions. We find that the crops suffer very much from climatic conditions. If we have too much rain, even with a new crop, we have a very inferior product. The same thing happens when we have a period of dry weather. It is owing to the changing climatic conditions that we are unable to produce rattoon crops successfully.

Secretary TAFT. Señor Lacson.

(Señor Aniceto Lacson here arose.)

Secretary TAFT. Señor Lacson, will you please tell us what your business is?

Señor LACSON. I have been a sugar planter for over thirty-five years.

Secretary TAFT. In the Island of Negros?

Señor LACSON. Yes, sir.

Secretary TAFT. And you have a large estate in Talisay?

Señor LACSON. I believe I have about twelve haciendas; one of them is in Talisay and one in Sibul. The largest estate, which I have in the town of Talisay and which was fitted with the most modern machinery, in the Island of Negros, I have abandoned for sugar cultivation and devoted it to rice, as I found I could not continue sugar cultivation upon it without severe loss. At the present time I have no sugar estate in cultivation except a small one of 200 hectares. I have kept it to give me something to do and to furnish me a little entertainment.

Secretary TAFT. I hope that you have not found that entertainment expensive.

Señor LACSON. Well, I won't say that it has been a burden to me, but I may say that I am not as sure of making any profit out of it as formerly. I have been forced to abandon the cultivation of sugar on a large scale on account of the Dingley tariff and by reason of the low price upon—

Senator NEWLANDS. Can you tell me how many hectares there are in all these haciendas?

Señor LACSON. I can not give the figures now, but I have them in my home. However, I can state that the large estate which the Secretary of War visited while in full operation has 800 hectares.

Secretary TAFT. Will Señor Lacson aid the committee by telling it in a few words the method of cultivation followed generally on the sugar plantations of Negros, the implements used, the course

taken with reference to rattoon crops, and the average yield per hectare per ton of sugar?

Señor LACSON. The method used in the cultivation and planting of sugar cane is exactly the same as used heretofore throughout the sugar region. The planters have been unable to change their old primitive methods for modern ones, owing to the lack of money and to the lack of an agricultural bank where they could get the necessary advance with which to buy improved machinery, and also owing to the fact that they have been impoverished by the loss of their cattle.

Secretary TAFT. I am not asking what caused this method, but what is the method.

Señor LACSON. In the first place, we plow our lands with a most primitive and rude sort of plow, which the honorable Secretary has probably seen.

Representative COCHRAN. Is it a steel plow?

Señor LACSON. No, sir; it is made of wood and cane. The planters have not the money to buy the modern steel plows. Upon my sugar estates I make the rows about this far apart [indicating about 2 yards], but it is the general practice to make them about this far apart [indicating about 1½ yards]. Furthermore, I have to fertilize my land, as it is second-class land.

Secretary TAFT. What do you fertilize it with?

Señor LACSON. I use the manure of domestic animals which I have upon my estate. I have manure heaps which I keep for the purpose.

Representative COCHRAN. How much can the cost of production be reduced by the use of improved machinery, or how much can the value of this product be increased?

Señor LACSON. I have had no experience with modern agricultural machinery or plows, so I can not say, but I think the value of the product would be increased somewhat by the use of such machinery.

Secretary TAFT. How much does your second-class land, treated with manure, as you have described, produce per ton of sugar per hectare?

Señor LACSON. About 2 tons per hectare. I have here a detailed statement of the cost of production which I should like to submit.

Representative COCHRAN. Let it go into the record.

Secretary TAFT. Yes, that will save time.

(The statement follows:)

STATEMENT OF A. LACSON.

ILOILO, August 15, 1905.

The "Manuel" estate, in the municipality of Talisay, Occidental Negros, P. I., the property of the undersigned, contains 200 hectares of second-class land suitable for sugar cane and an 8-horse-power steam mill, with the necessary appurtenances, buildings, etc., as follows: One mill house, two bagasse sheds, one sugar warehouse, and one dwelling house, all built of lumber with galvanized-iron roofs, valued at ₱20,000, and 100 head of carabaos, valued at ₱15,000; total, ₱35,000.

Expenses.

To plowing 100 hectares, labor of 50 men from July to November, five months, at ₱10 per month each, including food-----	₱2,500.00
To planting 250 lacsas (2,500,000 points), 50 laborers-----	1,000.00
To wages of 50 laborers in the cultivation and care of the cane for a period of seven months, at ₱10 per month, including food -----	3,500.00
To cutting and cartage of cane, estimated at 5,000 piculs, at ₱0.40 per picul-----	2,000.00
To expenses of grinding, using bagasse as fuel for the mill, and boiling sirup, by contract, at ₱1 per picul-----	5,000.00
To 50,000 pieces cordwood for boiler, at ₱20 per hundred pieces at mill -----	1,000.00
To 13,000 empty sacks for packing, at ₱5.50 per hundred-----	715.00
To 30,000 pieces rattan for packing, at ₱6 per thousand-----	180.00
To 10 per cent loss in cattle valued at ₱15,000-----	1,500.00
To 10 per cent deterioration of entire plant, farming implements, etc., valued at ₱15,000-----	1,500.00
To interest on capital, ₱7,000, for one year, and ₱8,895 for six months, at 15 per cent-----	1,717.10
To interest on total value of estate valued at ₱35,000 (land, buildings, and carabaos) at 10 per cent annually-----	3,500.00
 Total -----	24,112.10

So that the cost of the 5,000 piculs of sugar would be ₱24,112.10; that is, ₱4.82 per picul.

Note: This price does not include expense of transportation to the Iloilo market.

A. LACSON.

Senator SCOTT. Do you raise any tobacco here?

Secretary TAFT. A little in Iloilo Province, but it is not of sufficient importance to talk about.

Señor LACSON. I wish to state that I consider it an absolute impossibility for me to place my sugar in Iloilo at the price of ₱5.20 which has been given here.

Secretary TAFT. What does it cost you?

Señor LACSON. Well, I can deliver my sugar to a commission merchant or sugar buyer in Iloilo at a cost of ₱5.20 per picul, but you must remember that there are expenses of wastage and repacking. Many packages brought over are broken and have to be repacked, and then there are other expenses that have to be met.

Secretary TAFT. Do you have any rattoon crops upon your estates?

Señor LACSON. Very few; in just a few places.

Secretary TAFT. Do you know of any sugar planter in Negros that gets a rattoon crop for the third, fourth, or fifth year?

Señor LACSON. I have gotten a rattoon crop the third year by the use of fertilizers and by careful cultivation, but it has never paid me, and I wish to state that those gentlemen who have worked with rattoon crops have none of them made any money out of them.

Secretary TAFT. How much less does the rattoon crop produce than a new crop?

Señor LACSON. I should say that, weather conditions aside—that is, if we had normal weather conditions—it would lose the first year 25 per cent in comparison with a new planting.

Secretary TAFT. Well, he did not answer my question. Does he know of any planter in the Island of Negros who gets a rattoon crop for the fourth or fifth year?

Señor LACSON. Yes, I have known and do know of some who have gotten four and five rattoon crops, and I have done it myself, but only on very rare occasions, and it has never paid. As a general rule, after they get the third rattoon crop they prefer to plow up the land again.

Secretary TAFT. Is it the practice through Negros to get a third rattoon crop?

Señor LACSON. When it is fresh, new land it is the general practice to get a rattoon crop.

Secretary TAFT. Well, if it is not fresh land; if it is the land ordinarily used, do they get a rattoon crop or not?

Señor LACSON. Well, on my lands—and this is also true of all planters whom I know—we do not get a rattoon crop except from virgin ground, and on all other land we make a new planting each year.

Senator PATTERSON. What was the highest and lowest price received by the planter for sugar in Iloilo during the period of ten years between 1886 and 1896?

Señor LACSON. I have not the figures with me, although I have them in my books at home. However, I remember that we used to get ₱3.50 to ₱4.50. You must remember, though, that this was gold and was equivalent in purchasing power to ₱8 or ₱9 at the present time.

Senator PATTERSON. Were you not always paid in silver?

Señor LACSON. Well, at that time we considered that silver and gold were at a par. I wish to remark in connection with my last statement that, at the time I spoke of, all staple articles of food and clothing were much higher in price than now. Furthermore we did not have to pay the heavy taxes upon our land that we have to pay now. Really, gentlemen, our landowners are nearly ruined men to-day, and if I must speak the truth, I will say that although it has always been our practice, from a feeling of pride, to have our children educated in private colleges at our own expense, we are now unable to do so. We are unable to send our children to schools, and, gentlemen, I must tell you that it was with difficulty that we got together enough money to give you this reception.

Senator PATTERSON. Ask him if the currency was not the Mexican dollar prior to 1896?

Señor LACSON. Yes, sir; but at that time Mexican currency was received everywhere as the equivalent of gold. It is a fact which must be very plain even to you gentlemen that we are all living very poorly, and this remark applies especially to planters and landowners.

Senator NEWLANDS. What price is paid laborers upon the sugar plantations now?

Señor LACSON. To-day we have to pay not less than 40 centavos per day.

Senator NEWLANDS. And what was it from 1886 to 1896?

Señor LACSON. At all times of the year, except the grinding season, we used to pay 50 cents of the currency of that time per week. During the grinding season we paid double the amount, or ₱1 per week.

Senator NEWLANDS. What would that 50 cents be the equivalent of in Philippine currency to-day?

Señor LACSON. Do you mean in its purchasing power?

Senator NEWLANDS. No; measured in the Philippine currency of to-day.

Señor LACSON. I consider the 50 cents I referred to as the equivalent of 50 cents, gold. Therefore it would be the equivalent of ₱1, Philippine currency, per week.

Representative COOPER. Then you say that the wage has increased from ₱1 a week to 40 centavos a day. That would be nearly three times.

Señor LACSON. Yes, sir; and that is explained by the fact that the laborer can not live upon any less, the cost of living being so much higher than before.

Representative COOPER. Do you give them their food?

Señor LACSON. We do not find the laborers except during the grinding season. During this season we give them two meals a day and 50 centavos.

Senator FOSTER. With this increased price of labor, is labor more abundant now than when labor was cheap?

Señor LACSON. No, sir; labor was more abundant formerly than now.

Senator FOSTER. Why?

Señor LACSON. I can not answer that question. I do not know why the scarcity of labor exists. I have always been a believer in the theory of the free admission into these Islands of Chinese labor, but experience has taught me on the Island of Negros that the Chinese laborer will work for six months and then cease to be a laborer. He will set up a little store, which will grow and grow until he often even becomes a competitor of his former employer. Now, if I could have the assurance that the Chinese labor imported into the Islands would remain labor, I would be a strong advocate of the importation of Chinese labor.

Secretary TAFT. The provincial governor tells me that the time has come for an adjournment in order that we may refresh the inner man. I suggest to the members of the delegation that we continue this hearing in Negros to-morrow morning, where we shall be able to hear witnesses upon the ground.

Representative SCOTT. Are we to visit any sugar mill here?

Secretary TAFT. Well, there is a sugar mill here, and those who wish can visit it, but it is hardly of much interest. We can visit Señor Lacson's mill near Bacolod to-morrow, and there we can see the whole process of sugar making as carried on here.

Señor LACSON. I desire to extend an invitation to all the members of the Congressional party, and to the Secretary of War, to visit my estate, because I am very desirous of having you see the mill and the general conditions there, as I know that an inspection will back up my statements as regards the sugar-growing industry in these Islands.

(The meeting then adjourned at 1 o'clock p. m.)

HEARING AT BACOLOD.

SUGAR.

EXAMINATION OF SEÑOR PEDRO YULO, SUGAR PLANTER.

BACOLOD, OCCIDENTAL NEGROS, *August 16, 1905.*

Secretary TAFT. How many estates is he connected with?

Señor YULO. I am connected with the administration of fifteen estates.

Secretary TAFT. Are these estates producing sugar of different qualities?

Señor YULO. Yes, sir.

Secretary TAFT. Have you lands that produce as much sugar as any other in Negros?

Señor YULO. Yes, sir; I have such lands.

Secretary TAFT. What is the largest production per hectare of his best lands?

Señor YULO. From 30 to 35 piculs—about 2 tons.

Secretary TAFT. Is that per acre?

Señor YULO. No, that is lacsa, which is half a hectare, or about an acre.

Secretary TAFT. Then that is something more than 4 tons to the hectare.

Señor YULO. Yes, sir.

Secretary TAFT. Will he say where that land is?

Señor YULO. In certain pueblos of the island there are lands that will produce a maximum crop, which I have mentioned, of 4 tons, such, for instance, as certain lands in the towns of Isabela and Binalbagan.

Secretary TAFT. What is the average production per hectare of all the sugar lands in Negros?

Señor YULO. The average would be about $2\frac{1}{2}$ tons per hectare.

Secretary TAFT. Ask him how many hectares of sugar he cultivates.

Señor YULO. One thousand five hundred acres or about 600 hectares.

Secretary TAFT. Is that all he cultivates out of his haciendas?

Señor YULO. Yes, sir.

Secretary TAFT. Well, what does he do with the rest of his land?

Señor YULO. I can not cultivate them to anything because of the lack of cattle and of money and of the necessary agricultural implements.

Secretary TAFT. Ask him how much of what he does cultivate is rattoon crops.

Señor YULO. To avoid saying none at all I will say very, very little. It is only in exceptional and rare cases that we get a rattoon crop, and then only for one year.

Secretary TAFT. Does he not cultivate rattoon crops for two or three years?

Señor YULO. No, sir; it is not possible.

Secretary TAFT. Well, I suppose there would be a growth of cane if he let it run?

Señor YULO. Yes, that would grow, but it would not compensate for the labor of cultivating it.

Secretary TAFT. Well, does he use any manure or fertilizer on his estates?

Señor YULO. No, sir; I do not use it because it is too costly.

Secretary TAFT. Colonel Hill, would you like to ask some questions?

Colonel HILL. Your plantations—are they situated in different valleys in the Island of Negros, or all in one valley?

Señor YULO. My estates are situated in three pueblos—Isabela, Binalbagan, and Hinigaran. These pueblos lie close to one another.

Secretary TAFT. Are they in valleys?

Señor YULO. Yes, sir; they are.

Colonel HILL. Are there no valleys on the island to the north of those he cultivates himself?

Señor YULO. No, sir; not above Hinigaran. To the north of Hinigaran there are no valleys.

Colonel HILL. Is that in the valley of Bago?

Señor YULO. No, sir; it is very far from the town of that name.

Colonel HILL. Is there such a valley as the Bago Valley in the island?

Señor YULO. I know of no such valley.

Colonel HILL. Is there any sugar cane raised in the northwestern part of this island?

Señor YULO. No, sir.

Colonel HILL. How large is the valley of Binalbagan in which his estates lie?

Señor YULO. About 2,250 hectares.

Colonel HILL. Is the land cultivated as far up as the river runs coming from the mountain range?

Señor YULO. About one-half of the land is cultivated, but not all to sugar.

Colonel HILL. Can it be cultivated to sugar all the way up to the foothills?

Señor YULO. Yes, sir.

Colonel HILL. Does that river run back about a distance of 30 miles from the sea?

Señor YULO. It must run at least 30 miles.

Colonel HILL. About what width is there to the alluvial lands on both sides of that river? Do they extend 10 miles?

Señor YULO. I can not answer that question.

Colonel HILL. Does he know anything of the Illog Valley?

Señor YULO. No, sir.

Colonel HILL. Does he know anything of the San Carlos Valley on the Oriental side of Negros?

Señor YULO. No, sir.

Colonel HILL. Has he ever been to the mouth of the river at Binalbagan?

Señor YULO. Yes, sir.

Colonel HILL. Could he tell by sight whether there was at least 5 miles of cultivable land on either side of the river mouth? Does it run back as far as 5 miles?

Señor YULO. I could not be sure of what the distance is. I could not estimate it.

Colonel HILL. Do they use carabaos for plowing altogether in these lands?

Señor YULO. Yes, sir.

Colonel HILL. What depth does he plow?

Señor YULO. Ten inches.

Colonel HILL. Is that with a small iron point on a wooden plow?

Señor YULO. Yes, sir.

Colonel HILL. Does he use no other harrows than those made from bamboo?

Señor YULO. Yes, sir; I use other kinds also. I have some of those disk harrows.

Colonel HILL. How long has he been using these?

Señor YULO. Just for a short while—a month or so.

Colonel HILL. His crops have been raised heretofore by these bamboo harrows?

Señor YULO. Yes, sir.

Colonel HILL. How much land will two carabaos and a man take care of upon the plantation?

Señor YULO. One hectare of land.

Representative COCHRAN, of New York, then had some discussion with Colonel Hill as to whether the speaker meant to say that two carabaos and one man could plow one hectare of land or that one hectare of land would provide maintenance for two carabaos, which was settled by the speaker saying:

Señor YULO. Two carabaos will plow 1 hectare, and half a hectare will support them.

Colonel HILL. How many men will it take to cultivate throughout the year 1 hectare of sugar land?

Señor YULO. Well, that depends upon the nature of the soil. If it is hard it requires more men and also more animals.

Colonel HILL. How much does a carabao cost?

Señor YULO. A carabao that would be broken to the plow would cost at least ₱150, Philippine currency.

Colonel HILL. At what period of the year after planting does the cultivation of the cane cease? How many months would he be using his carabao and his men?

Señor YULO. Six months if the land is good.

Colonel HILL. How many crops will he take off it in a year? Will he raise a crop and make the sugar from it in twelve months?

Señor YULO. That is impossible to do.

Colonel HILL. How much time does it take?

Señor YULO. Do you wish me to give you the time from the time of plowing or from the time of planting the cane?

Colonel HILL. From the time of planting.

Señor YULO. Fourteen months from the time of planting the cane.

Representative COCHRAN. What from the time of plowing?

Señor YULO. You would have to add on four months.

Colonel HILL. Is there any difficulty about getting Filipinos to do the work needed on the plantation? Are the hands good?

Señor YULO. The generality of Filipinos would be suitable labor for the cane fields, but the difficulty is that the majority of them prefer to work in the rice fields.

Secretary TAFT. Is it harder work to work in the cane fields?

Señor YULO. Very much so. It is especially hard on account of the defective agricultural implements and tools which we use..

Senator WARREN. Colonel Hill, may I ask one question right there? I want to ask how many years out of ten can they get a crop without fertilization.

Señor YULO. Five years.

Senator WARREN. So that it would take two years for a crop. Is the land sufficiently fertile so that you could depend upon a crop once every two years without fertilizing it?

Señor YULO. Yes, sir.

Secretary TAFT. I want to go back to the ratoon crops. He says, as I understand it, that he cultivates very little of the ratoon crop.

Señor YULO. Yes, sir; and I have qualified that by saying that ratoon crops are cultivated only on exceptional lands.

Secretary TAFT. Well, is it the rule or the exception in the cultivation of lands in this province to have a ratoon crop?

Señor YULO. It is the exception.

Secretary TAFT. Now how far does that exception go? Does it go beyond the first crop? Are there some ratoon crops of the second and third years?

Señor YULO. No, sir; we only have the first ratoon crop. Were we to have a second ratoon crop the expense of cultivating it would be greater than the value of its yield.

Secretary TAFT. Well, are there no estates in Isabela and Binal-bagan where they have cultivated the second and third ratoon crop?

Señor YULO. Perhaps there may be a few. If there are it would be the exception that proves the rule.

Colonel HILL. To what use is the land put after the crop is taken off before they begin plowing for the next year's crop?

Señor YULO. The highlands are used for the cultivation of corn and the lowlands for the cultivation of rice, and the rest is used for grazing lands.

Representative COCHRAN. I would like to get a little light on one thing. I understand he has altogether about 15,000 acres and cultivates about 1,500.

Señor YULO. My possessions do not reach 15,000, but are between 10,000 and 12,000 acres.

Representative COCHRAN. But you cultivate only about 1,500, do you not?

Señor YULO. Yes, sir.

Representative COCHRAN. I understand him to say that the reason he does not cultivate the rest of his lands is because of lack of capital.

Señor YULO. Yes; because of the lack of animals, of proper agricultural implements, etc.

Representative COCHRAN. That is all the same—it is a lack of capital. Ask him what is the value of his land as it stands to-day.

Señor YULO. I do not know as I could exactly say. It might depend upon a man's needs, but I might say, roughly speaking, ₱200 for first-class lands, ₱150 for second-class lands, and ₱100 for third-class lands, per hectare.

Representative COCHRAN. Well, what does he value his land at?

Señor YULO. Well, I have all three classes.

Representative COCHRAN. Well, the average between them. What capital would it require to cultivate them?

Senator WARREN. The whole 12,000 acres?

Representative COCHRAN. You might say per acre if you like.

Señor YULO. ₱200,000.

Representative COCHRAN. That would be \$100 an acre. That would be about the value of the land. Then if we had an agricultural bank he would want the bank to loan him about the value of his lands.

Representative MCKINLEY, of Illinois. Mr. Cochran, is it not only \$10 an acre?

Secretary TAFT. He said he would want \$100,000, and if he has 10,000 acres that would be \$10 an acre.

Representative COCHRAN. Ask him again.

Señor YULO. I was a bit confused by the question.

Representative COCHRAN. Ask him how much per acre is needed to put it into cultivation effectively.

Señor YULO. About ₱100 to cultivate 1 hectare of land.

Representative COCHRAN. But I understand that is about the value of the land.

Señor YULO. But I stated that the land was divided into three classes, some of which is worth ₱200.

Representative COCHRAN. Well, is not that the value of the land? That is what I am asking.

Señor YULO. All I can say is that it takes about ₱100 to cultivate a hectare of land and that the land is worth, according to its specification, ₱200, ₱150, or ₱100 per hectare.

Senator NEWLANDS. Will you ask him where he sells the sugar he produces?

Señor YULO. I sell my sugar in Iloilo.

Senator NEWLANDS. Ask him what price he received this year, last year, and the year before.

Señor YULO. The average price this year has been ₱6.25 a picul, an extraordinary price; last year it was ₱4.50; for the previous year I do not recollect what the price was. It was less than ₱4.50.

Senator SCOTT. A picul of 137 pounds?

Señor YULO. Yes, sir; of 137½ pounds.

Secretary TAFT. Will you ask the witness whether he knows a man in Negros named Serafin Estavanes?

Señor YULO. I only know him by name.

Secretary TAFT. Well, is he a hacendero?

Señor YULO. Yes; of the northern part of the island.

Secretary TAFT. Has he a large estate?

Señor YULO. He had a large estate. It was a pretty good-sized estate.

Secretary TAFT. Do you know how much he raises on a hectare of land?

Señor YULO. No, sir; I do not.

Secretary TAFT. Is there anybody here who does know? He lives at Cadiz Nuevo.

Señor ESTEBAN DE LA RAMA. He cultivates very little sugar because he has a very small amount of capital to work with. Lately he sold one of his estates.

Secretary TAFT. Does Señor de la Rama know him?

Señor DE LA RAMA. Yes, sir.

Secretary TAFT. Does he know his business? Does he sell his sugar in Iloilo?

Señor DE LA RAMA. No; he sells it right there on his estate.

Secretary TAFT. Well, I would like to ask, at the request of one of the Senators, Señor Yulo to tell us again how much the period is from the time they commence to plow until cane is ready to cut.

Señor YULO. Eighteen months.

Secretary TAFT. Ask him if, when he gets five crops of sugar from ten years of cultivation, whether in that ten years he also raises corn or rice on the same land.

Señor YULO. Yes, sir; I do get other crops off the same land.

Secretary TAFT. Well, now I want to ask Señor de la Rama again about this Serafin Estavanes. Does he raise ten rattoon crops upon his plantation?

Señor DE LA RAMA. I have a farm near Serafin Estavanes, and never raised a rattoon crop myself.

Secretary TAFT. You own an estate in that neighborhood?

Señor DE LA RAMA. Yes, sir.

Secretary TAFT. Well, now I want to call Captain Smith. Captain Smith, it has been said that you have made a good many statements with respect to rattoon crops in this province. Do you know Serafin Estavanes?

Capt. W. S. SMITH, inspector of Constabulary. Yes, sir.

Secretary TAFT. Do you know his estate?

Captain SMITH. Yes, sir.

Secretary TAFT. Have you ever been on it?

Captain SMITH. Yes, sir.

Secretary TAFT. Do you know whether he raises ten rattoon crops?

Captain SMITH. I don't think he raises ten rattoon crops, but I have been told that he raises from four to seven right along.

Secretary TAFT. Did you not tell Mr. Hathaway so?

Captain SMITH. I told Mr. Hathaway that there were places here where the cane was cut and would spring up again.

Secretary TAFT. Well, do you know places in this province where ten rattoon crops are raised?

Captain SMITH. No, sir.

Secretary TAFT. Well, how many crops?

Captain SMITH. Well, about three.

Secretary TAFT. Is that a regular thing?

Captain SMITH. No; but it occurs at times in Isabela district. They have two rattoon crops and one other crop.

Secretary TAFT. In Isabela, in the virgin soil of that district?

Captain SMITH. Yes, sir.

Secretary TAFT. And generally then, except in this virgin soil, the practice is not to cultivate a rattoon crop, is it not?

Captain SMITH. Yes, sir; you will find some virgin soil in and about Isabela and La Castellana, which is in the same valley.

Secretary TAFT. How long does it take to cultivate a rattoon crop?

Captain SMITH. I can not speak exactly definite on the length of time. It would take about twelve months, and possibly fourteen.

Secretary TAFT. To cultivate a rattoon crop? Does it take a shorter time for the rattoon than for the original crop?

Captain SMITH. I can hardly answer you that clear.

Secretary TAFT. You don't plow a rattoon crop, do you?

Captain SMITH. Yes, sir.

Representative CURTIS, of Kansas. I want to know whether Mr. Hathaway was out here with the intention of buying land or just to investigate the condition of the country.

Captain SMITH. You would believe that he was here investigating the conditions of property and to put in some capital and build a mill.

Senator NEWLANDS. Captain, are you the inspector of Constabulary here?

Captain SMITH. Yes, sir.

Senator NEWLANDS. Is there much distress among the laboring men in these islands?

Captain SMITH. In certain places possibly they have not got quite enough to eat, but generally they have sufficient. At the present time they have payal of last year.

Senator NEWLANDS. Are they receiving higher wages?

Captain SMITH. The "jornal," or day's wage, is higher now than it was before.

Senator NEWLANDS. What is the daily wage now?

Captain SMITH. From 1 real to 25 cents, and it might go to 35 cents.

Senator NEWLANDS. What is 1 real?

Captain SMITH. Twelve and a half centavos—one bit.

Senator NEWLANDS. Twelve and a half centavos a day?

Captain SMITH. You have got to furnish the food. They do not pay very much for their labor, as they have not much money.

Representative COCHRAN. What is it now?

Captain SMITH. Possibly 12½ cents; that is the lowest wage.

Secretary TAFT. Then it costs up to 35 cents?

Captain SMITH. Yes, sir.

Representative COCHRAN. And his food?

Captain SMITH. Yes, sir; you have to buy the rice, and at the present time you have to buy it in Iloilo and pay a big price for it.

Senator NEWLANDS. Then the distress is mostly among the landowners and not among the poorer people?

Captain SMITH. It is among the people who own the land and have not the capital to raise crops.

Senator NEWLANDS. Is it your observation that it would be wise for the Government to establish a farm here with improved machinery and modern methods such as are used in Hawaii?

Secretary TAFT. The Government has a farm here now.

Senator NEWLANDS. Is that a sugar farm?

Secretary TAFT. Yes.

Senator NEWLANDS. How big is it?

Secretary TAFT. It is about 2,500 acres.

Senator NEWLANDS. Would it be difficult to add 2,500 acres to that?

Captain SMITH. Yes, sir.

Senator NEWLANDS. Is it difficult to get control of the land from the owners? Are they unwilling to sell?

Captain SMITH. You could get it, but not in one block.

Senator WARREN. I want to ask one question. Testimony is to the effect that in ten years you get five crops of sugar without fertilization. Now this witness has stated that crops can be grown upon virgin soil. I would like to ask if land upon which crops have been grown for ten years and a crop taken every two years, and other crops of other things in between, whether the soil is as good as new.

Señor DE LA RAMA. No, sir; the land wears out. It is not as fertile. It is for this very reason that the lands which lie closest to the seashore are more worn-out than the lands in the interior of the Islands, because they have been cultivated a longer number of years.

Senator WARREN. Then they must be left fallow a number of years in order to become fertile and bring good crops in other years?

Señor DE LA RAMA. Yes, sir; we have to let them lie fallow, and if you would take a run around in the vicinity of this town you would see that it is precisely for this reason that the lands are not being cultivated, as they are worn-out and are resting.

Senator WARREN. It is because of the high price of fertilizer, I understand, that it is cheaper to let the lands lie fallow and unfertilized.

Señor DE LA RAMA. Yes; the latter course is preferable—to let the land lie idle.

Senator NEWLANDS. Captain, will you please state why it would be difficult for the Government to secure 5,000 acres of land for an experimental station?

Captain SMITH. Lots of landowners do not care to part with their lands; that is one reason. Then it is difficult for an American to come in here and buy up lands. They say he is going to come in here and buy them out. The other reason is that they expect that some day they will be able to get some capital to float their plantations and are holding on to them keeping their people together waiting for this to happen, hoping that some day they will be able to get money to improve their lands.

Senator NEWLANDS. Do they hope to introduce the highly improved methods of Hawaii on their sugar plantations here?

Captain SMITH. They hope to improve their present methods, but whether they will take it as far as Hawaii has done I don't know.

Senator NEWLANDS. Has any expert from Hawaii ever been here on the island for the purpose of extending the methods of improved cultivation?

Captain SMITH. I think not.

Senator NEWLANDS. Have they ever sent for a man to come here and improve their methods of cultivation?

Captain SMITH. I think not.

Senator NEWLANDS. Take this plantation of about 2,500 acres, which you say belongs to the Government; would it not be possible to arrange in the neighborhood, if the Government operates it as an experimental station, builds a mill, puts in modern machinery, etc., to get cane to crush in the mill?

Captain SMITH. If you could get proper transportation.

Senator NEWLANDS. Is that plantation a good plantation?

Captain SMITH. Yes, sir.

Senator NEWLANDS. Has it good soil?

Captain SMITH. I could possibly name places in the island that have better land.

Senator NEWLANDS. Is it land on which steam plows could be used?

Captain SMITH. Yes, sir.

Secretary TAFT. Mr. Senator, you can get all these facts by examining the reports of the man who is in charge of that farm.

This witness knows nothing except by casual observation and hearsay.

Senator NEWLANDS. Has the man in charge of that farm made a careful survey of the land, a careful study of the nature of the soil, in order to determine what soil and what conditions are best for the growth of sugar?

Colonel EDWARDS. This witness knows nothing about this; he is a captain of the Constabulary.

Secretary TAFT. I only speak in order to expedite matters.

Senator NEWLANDS. I am told, Mr. Secretary, that the man is here who runs that farm.

Secretary TAFT. Well, I should be glad to hear him if he is here.

Colonel EDWARDS. Won't you hear Mr. Nolan first?

Secretary TAFT. Well, we will go on with direct evidence first. Mr. Heil is here. Are you a practical sugar cultivator, Mr. Heil?

Mr. JOHN HEIL. I have been raising sugar for the last five years, in the United States, and here for the last two and one-half years.

Secretary TAFT. Have you been in charge of "La Granja" under Mr. Welborn, and before that under Professor Scribner?

Mr. HEIL. Yes, sir.

Secretary TAFT. How much sugar do you cultivate there?

Mr. HEIL. About 150 acres last year.

Secretary TAFT. And how much do you raise?

Mr. HEIL. 2,990 piculs.

Secretary TAFT. How many tons of sugar to the acre?

Mr. HEIL. Some of it would average 3 tons to the hectare—that is, not all of it; some of it only about 2 tons.

Secretary TAFT. Do you have any ratoon crops?

Mr. HEIL. Yes, sir; I have had ratoon crops for about two years now.

Secretary TAFT. Will you cut it for the third year?

Mr. HEIL. Yes, sir.

Secretary TAFT. How does the product of the ratoon crop compare with the original?

Mr. HEIL. It is much better for the third year.

Secretary TAFT. How much is the cost of cultivation?

Mr. HEIL. The first year is much more than the second and third years. The third year it will only cost perhaps P22 a hectare.

Secretary TAFT. Now I want to ask you as to its product. Does the ratoon crop produce more per hectare than the original crop?

Mr. HEIL. Yes, sir.

Secretary TAFT. How much more?

Mr. HEIL. Perhaps 50 piculs more.

Senator PATTERSON. How about the third?

Mr. HEIL. The third will be as good. The first is the poorest crop generally.

Secretary TAFT. Now, do you know about the production among farmers here generally?

Mr. HEIL. Yes; the way they raise sugar it costs about twice as much as at the experimental station.

Secretary TAFT. Do you know as to the practice in ratoon crops?

Mr. HEIL. Yes, sir.

Secretary TAFT. How many ratoon crops do they cultivate?

Mr. HEIL. In our neighborhood four to seven crops.

Secretary TAFT. What farmers do you know who cultivate such crops?

Mr. HEIL. Cardenas, Rodriguez, and others.

Secretary TAFT. Are there any of these planters here to-day?

Mr. HEIL. Yes, sir.

(Then Señor Rodriguez came forward.)

Secretary TAFT. Do you cultivate seven ratoon crops?

Señor RODRIGUEZ. There have been exceptional cases on certain lands where seven crops are raised, but as a general rule, and I may say almost universally, we raise only three crops, because after the third crop we find that there is a grubworm comes into the cane and we have to make a new planting.

Secretary TAFT. Now how is it with you, Mr. Heil—do you find that grubworm?

Mr. HEIL. Yes, sir.

Secretary TAFT. Do they limit the number of crops you can plant?

Mr. HEIL. I am experimenting on killing that grubworm by distributing lime about.

Secretary TAFT. Well, you say you raise ratoon crops. Do you raise ratoon crops on all this you cultivate?

Mr. HEIL. Yes, sir.

Secretary TAFT. Does Señor Rodriguez have three years on every one that he cultivates?

Mr. HEIL. Yes, sir; I think so.

Secretary TAFT. Do you, Señor Rodriguez?

Señor RODRIGUEZ. A great deal of my land does not give rattoon crops at all, but some of it does give rattoon crops for three years—that is, I get three harvests without a new planting, and I find that I can get no further than the third crop because of the passages between the cane getting too narrow for the carabaos to go through, so after the third year we make a new planting. On the lowlands we don't make any rattoon crops at all. It is only out near the mountains.

Secretary TAFT. Where is "La Granja?"

Mr. HEIL. It is up near the mountains and is fresh land.

Secretary TAFT. Ask Señor Rodriguez if his rattoon crop is better than his original crop.

Señor RODRIGUEZ. Yes; in the fresh land in the hills it is better.

Secretary TAFT. It is better for the third year?

Señor RODRIGUEZ. It is somewhat better quality, but it does not give such a yield as the first crop.

Secretary TAFT. But it sells at a better price?

Señor RODRIGUEZ. Yes; it is a degree or two superior in quality, but you must bear in mind that there is a less quantity.

Secretary TAFT. Mr. Heil, you say you have 150 acres of sugar. What else do you cultivate there?

Mr. HEIL. Rice.

Secretary TAFT. What else?

Mr. HEIL. Most everything there is in the United States.

Secretary TAFT. You have machinery there?

Mr. HEIL. I have some.

Secretary TAFT. You have a steam plow?

Mr. HEIL. No, sir.

Secretary TAFT. Do you plow deeper than the planters here?

Mr. HEIL. I plow 10 to 12 inches.

Secretary TAFT. Is that deeper than they plow?

Mr. HEIL. They don't plow any deeper than 3 to 6 inches.

Secretary TAFT. What do you use, carabaos or mules?

Mr. HEIL. Mules.

Secretary TAFT. Do you find them more effective?

Mr. HEIL. Yes, sir; they do eight times as much work.

Representative MCKINLEY, of Illinois. What do they cost over here?

Mr. HEIL. Two hundred pesos.

Representative SCOTT, of Kansas. You get better results than the native farmer does?

Mr. HEIL. Yes, sir.

Representative MCKINLEY. How much more does it cost to feed a mule than a carabao?

Mr. HEIL. You don't have to feed a carabao, but a mule might cost you about 40 centavos per day.

Secretary TAFT. Have you 200 acres of cane a portion of which is the tenth crop?

Mr. HEIL. Yes; about 10 acres.

Secretary TAFT. How do you know that it is the tenth crop?

Mr. HEIL. The native foreman on the place who was there in Spanish times told me that it was cut off during the time of the insurrection.

Secretary TAFT. What kind of sugar is it?

Mr. HEIL. No. 1 sugar.

Senator PATTERSON. Is the quantity as great as in the first crop?

Mr. HEIL. Very nearly.

Representative SCOTT. Well, is it your opinion that that could be done universally?

Mr. HEIL. It is peculiar to that kind of land.

Secretary TAFT. Do you think you could raise ten crops on all that land?

Mr. HEIL. Well, I do not know; I could not speak for that. This has been my third year on there now.

Representative COCHRAN. You say that this piece of land out of which you took ten crops was not due to the cultivation but to the quality of the land?

Mr. HEIL. No, I expect not.

Secretary TAFT. And have they fertilized it?

Mr. HEIL. No, sir.

Secretary TAFT. Your information is derived from the woman in charge?

Mr. HEIL. From the foreman in charge. It is near the side of a hill where the rains have washed away the grass.

Secretary TAFT. Then you think that the land is peculiarly situated?

Mr. HEIL. Yes, sir.

Senator SCOTT. I understood you to say you had been here only three years. Does not it take over a year to raise a crop?

Mr. HEIL. No, sir; I have raised three crops on the farm now and I have not been there quite three years.

Senator SCOTT. Then your knowledge as to the ten-year crop is gathered from what people have told you and not from your own knowledge?

Mr. HEIL. Yes, sir; from what people have told me.

Senator NEWLANDS. Were you engaged in sugar work before?

Mr. HEIL. Yes, sir; in Louisiana. I simply worked on a plantation there.

Senator NEWLANDS. Were you in a responsible position there?

Mr. HEIL. Well, no; I was just a foreman.

Senator NEWLANDS. Well, how do the methods which you are using upon this particular farm compare with the methods used in Louisiana?

Mr. HEIL. We use about the same machinery here. It was a small farm on which I was on in Louisiana.

Senator NEWLANDS. Then were you not on one of the first-class farms with improved machinery?

Mr. HEIL. No, sir.

Secretary TAFT. There is one question I should like to ask Mr. Nolan. Mr. Nolan, did you act as interpreter for a Mr. Hathaway, who came here to investigate sugar conditions?

Mr. RICARDO A. NOLAN. Yes; I was here at Constabulary headquarters, and at the suggestion of Captain Smith I acted as interpreter for Mr. Hathaway with the governor and with Mr. Aniceto and Mr. Mariano Lacson. He was trying to get the governor to fix a figure at which sugar could be produced, and when he could not give him what he wanted he said, "Now, look here, Governor, suppose a haciendero has all kinds of cattle and all kinds of machinery and everything else, what will a picul of sugar cost?" and Governor Jayme said, "About ₱2;" but, he said—and I was acting as interpreter for him—that he had never produced any sugar and was only giving his opinion. Mr. Hathaway made everyone believe with whom he spoke that he was here to improve the situation in Negros and that he was ready to build a big sugar refinery here, and everybody helped him because we need a sugar refinery here.

Secretary TAFT. Did he say he wanted to buy some lands?

Mr. NOLAN. Yes, sir; and I believe that Governor Jayme told him Murcia would be a good place, because Governor Jayme has some lands there and he wants to sell them. I have some records in my office which show that labor costs about 3 pesetas per day.

and not 12½ cents as has been said here by some persons. You must bear in mind that the labor has to be brought from Antique and from Capiz; and now let us figure this down and see how much labor will cost. There are hacienderos which I can name—Don José Robles, Felix Robles, and Mr. de la Rama here—I believe who will agree to what I say, that they have lost thousands of dollars in trying to get laborers here. If you bring 100 here and they don't come all together in one bunch, when you have got the last ones here you will have about 25 left on your hands. That is the trouble the hacienderos have here.

Senator NEWLANDS. You think the labor, then, is the most serious problem here in the question of sugar?

Mr. NOLAN. Well, it is my opinion that you can buy carabaos, but not laborers. I came here in 1901 and I know a good deal about the situation here, and they have always had this trouble.

Senator NEWLANDS. What was the condition then?

Mr. NOLAN. I believe they have always had a little of this trouble. The work is not permanent on most of the haciendas here; when they need the largest number of laborers is between November and March.

Senator WARREN. Won't the people who live here work?

Mr. NOLAN. The people who live here will work, yes, when they want to. I think the municipal presidents can answer that question better than I can. There is a certain law here which is not enforced.

Senator WARREN. Do you mean that they won't take work when it is offered them?

Mr. NOLAN. I have never known a man to come along and ask for work.

Secretary TAFT. Are you familiar with the methods of sugar planters here?

Mr. NOLAN. Well, I have traveled from San Carlos to Illog.

Secretary TAFT. Do you know what the practice is about rattoon crops?

Mr. NOLAN. About rattoon crops? There are haciendas here where you can raise on 10, 15, or 20 acres that kind of a crop because the river washes it. You will find that thing in La Carlota, where this gentleman [Mr. Heil] is working, which is one of the best towns for soil. You can do that there, but even in La Carlota in the lands of Felix Robles you can not do that.

Mr. HEIL. You can not do that down in the valley."

Mr. NOLAN. I don't believe it is a common thing.

Secretary TAFT. What do you say, Mr. Heil?

Mr. HEIL. I say if it was worked properly they could raise more crops. In the first place they plant it about 2 feet apart and have done so without fertilizing it for a great many years, and they have got it in such a condition that they can get it back into shape only after ten years.

Representative COCHRAN. I understand from this witness, as far as I can make out what he says, that away from the sea you get a larger yield.

Mr. HEIL. I get 2 to 3 tons a hectare.

Representative COCHRAN. Well, that is about what the others said. What advantage do you get from the improved machinery you have got over here?

Mr. HEIL. We have got no improved machinery over here but the plows.

Representative COCHRAN. Am I right in this: You say that you get a crop in one year and the others say it takes eighteen months. Is that due to the improved machinery?

Senator NEWLANDS. What are you paying for labor?

Mr. HEIL. From 45 to 75 centavos per day.

Senator NEWLANDS. Can you get all the labor you want at that price?

Mr. HEIL. Yes, sir.

Senator NEWLANDS. How do they work? Will they stay?

Mr. HEIL. No, sir.

Senator NEWLANDS. Now take the average man. How many days in the week or month will he work?

Mr. HEIL. On an average about two days in a week.

Senator NEWLANDS. Have you ever been able to persuade them to work more?

Mr. HEIL. Well, it does not do much good to persuade them.

Secretary TAFT. Do you pay them anything in addition?

Mr. HEIL. No, sir; they feed themselves out of that.

Representative COCHRAN. Well, if you paid them only half what you pay them would they work twice as long?

Mr. HEIL. Yes, sir.

Secretary TAFT. Well, the motion is that we adjourn.

(The meeting was then adjourned at 12.40 p. m.)

SUPPLEMENTAL STATEMENT.

(See page 25, Ways and Means Committee Hearings.)

QUESTIONS PROPOUNDED BY CHIEF, BUREAU OF AGRICULTURE, TO JOIN HEIL, RE TESTIMONY GIVEN BY HIM BEFORE THE CONGRESSIONAL PARTY AT BACOLOD, PHILIPPINES, AUGUST 16, 1905.^a

LA CARLOTA, NEGROS OCCIDENTAL,

September 22, 1905.

SIR: I have the honor to make the following reply to questions propounded in your letter of September 11, 1905, with respect to the testimony given by me before the Congressional party at Bacolod, Negros Occidental:

1. You are quoted as saying you "have been raising sugar for the last five years in the United States, and here for the last two and one-half years," and later on "that you worked on a plantation in Louisiana."

I desire to be informed of just what years and months you worked on that plantation in Louisiana; also the name and the post-office address of your employer or employers.

Answer. I was employed off and on between 1885 and 1890 by Mr. F. Bossler, 14 miles from Oberlin, Calcasieu Parish, La. I did not remain in Louisiana continuously during this time, but accompanied Mr. Bossler each sugar season, and when he gave up his Louisiana plantation, in 1890, I accompanied him West. His present address is, I believe, Billings, Mont.

2. You say mules can be bought in Negros for 200 pesos. When, where, and by whom did you ever know any mules to be bought for this sum, and were they condemned army mules or not? Did you know the mules you are using cost, as shown by the records in this bureau, 463 pesos each, delivered in Manila, and that they were second-hand German army mules used in the China campaign? Did you know they cost 18 pesos each additional to ship them to Iloilo?

Answer. The mules to which I referred are condemned Government mules. I have seen them sold at 200 pesos each in Manila and in Iloilo. I did not know that the mules at this station cost 463 pesos each at Manila.

3. You are quoted as saying that a hectare of stubble cane would make about 50 piculs more sugar than a hectare of plant cane. Was this estimate based on experience; and if so, what experience and

^a See Appendix, pages 177-181, 182, and 183.

just what were your measurements of land compared and weights of sugar produced?

Answer. My estimate that 1 hectare of stubble cane will make about 50 piculs more sugar than a hectare of plant cane was not based on experience, but on the information received from some of the sugar planters near La Granja, and I think the report did so state.

4. You are quoted as saying second rattoons yield as much as first rattoons. When did you ever compare any first and second rattoons, and just what were the details of such experiment?

5. You are quoted as speaking of 10 acres of land that you had heard had been growing rattoon cane for ten years. Did you or not tell Doctor Nesom it had been growing rattoons seven years, or was the report made that the land had been growing cane for seven or ten years? Were there not 4 or 5 acres more in the cut containing college site that had some poor cane on it in 1903, and how much sugar did you make on the whole in December, 1903, and January, 1904, and how much did the sugar sell for? In other words, how many acres of rattoons did you have in 1903, and how much sugar did the whole make?

Answer to 4 and 5. Regarding my statement that second rattoons yield as much as first, same was based on the following:

I looked up the report of Mr. Araneta; the land was cut—that is, the cane was taken off—in 1898. Thereafter nothing was done to the land until the present Government took hold of it. I cut it in February, 1903, and got about 65 piculs of sugar, which sold for 105.39 pesos Philippine currency. The acres of rattoons in 1903 amounted to about 15.

6. Is it a fact or not that both pieces in 1903 completely grew up in weeds and grass and really remained fallow all the year, just as if the land had rested? Is it not a further fact that part of this land was plowed up and planted anew, and that the other had tops or points planted in all the skips, amounting to at least a partial new planting?

Answer. Yes; this plot was planted almost anew. Both pieces of land in 1903 completely grew up in weeds and remained fallow all the year.

7. Is it a fact or not that you and I at last grinding season found the cane on the college-site piece so poor that we quit grinding it and moved the cane in the next cut down the road, that had been planted on fresh land, and that the yield was over twice as great on the latter?

Is it not a fact that the last-named cane was twice as good as any

cane you had north of the main road at all, so far as yield in amount of sugar per acre was concerned?

Answer. The cane on the college site was found to be so poor that we quit grinding and moved the cane in the next cut down the road, which had been planted on fresh land, and the gain in sugar was much greater.

The last-mentioned cane was twice as good as that on the college site.

8. You are quoted as saying you cultivated cane at one-half the expense of other people. As a matter of fact was not growing 150 acres of cane the principal business carried on there the last year? Were not all other products fed and used in running the place, except some teosinte seed, and was not the entire product of sugar, after resacking in Iloilo, only 2,734 piculs, or 1½ tons per acre? Were not the total expenses of the place 24,390 pesos, plus all shipping and handling expenses to and in Iloilo, making in all an expense of about 9.50 pesos per picul in Iloilo, or over 3 cents gold a pound?

Answer. From the time I took charge of this farm under the present chief of the bureau the expenses have been about one-half of what they used to be. Sugar may be produced more cheaply with improved machinery and methods. That is what I meant. All other products except sugar were fed to stock.

The output of sugar was 2,734 piculs for 1905, or 1½ tons per acre; total amount of expense of the place, 24,390 pesos. This amount of money, including expenses to and in Iloilo, which is not included in the 24,390 pesos, makes a total cost per picul of sugar in Iloilo of about 9.50 pesos.

Very respectfully,

JOHN HEIL,
Farm Superintendent.

The CHIEF, BUREAU OF AGRICULTURE,

Manila.

[First indorsement.]

THE GOVERNMENT OF THE PHILIPPINE ISLANDS,

DEPARTMENT OF THE INTERIOR,

Manila, October 24, 1905.

Respectfully forwarded to the Chief of the Bureau of Insular Affairs, War Department, Washington, D. C., suggesting that the results of this further examination of Mr. Heil might be added to the record or placed before the proper committee when the question of reduction of tariff on Philippine sugar is up for consideration.

DEAN C. WORCESTER,

Secretary of the Interior.

